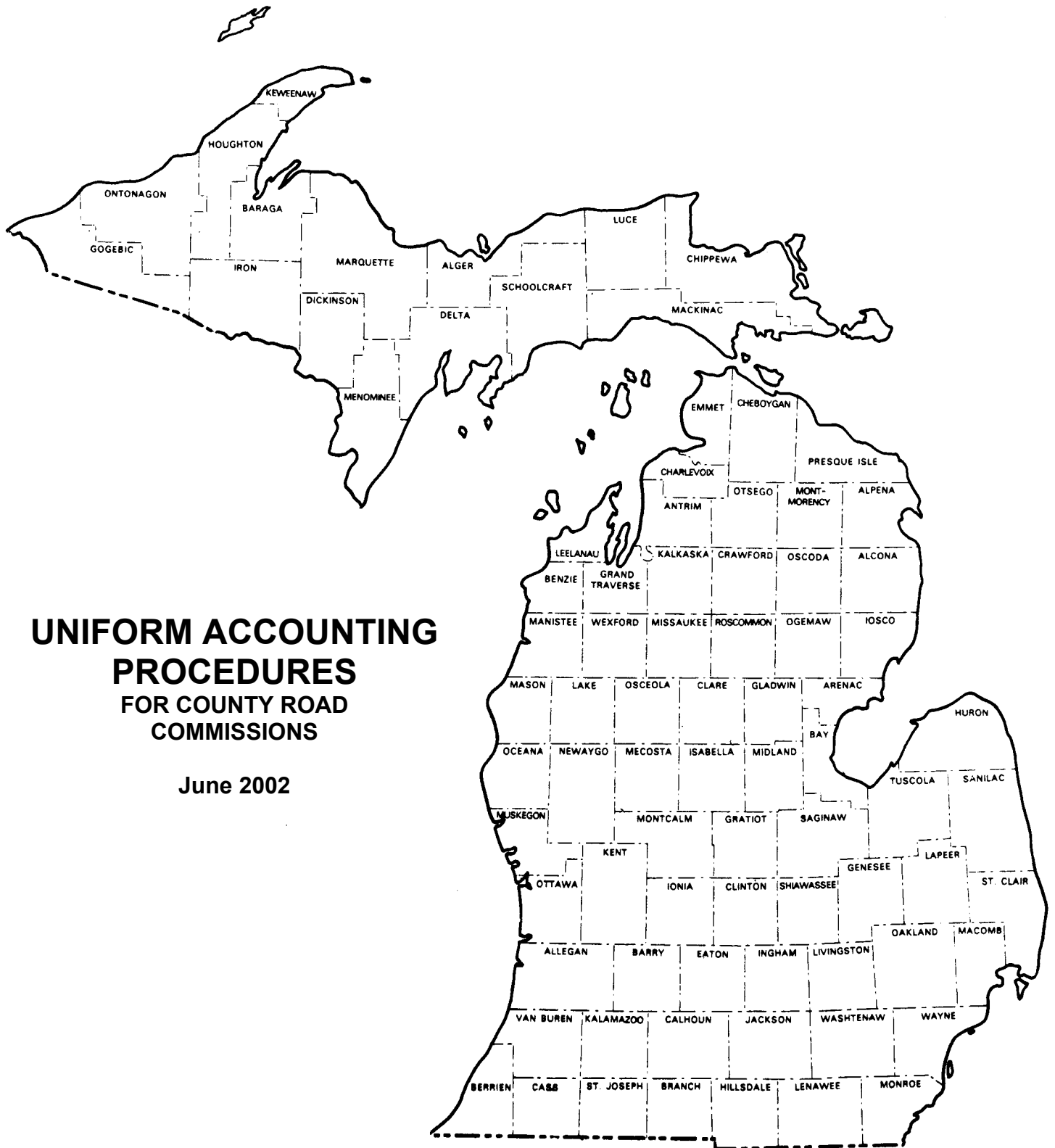


# MICHIGAN DEPARTMENT OF TREASURY



## UNIFORM ACCOUNTING PROCEDURES FOR COUNTY ROAD COMMISSIONS

June 2002

**BUREAU OF LOCAL GOVERNMENT SERVICES  
LOCAL AUDIT AND FINANCE DIVISION**

## **PREFACE**

This uniform chart of accounts has been specifically designed for use by county road commissions to account for Michigan Transportation Funds. It is based upon the "Uniform Chart of Accounts for Local Units of Government in Michigan." The objective of this classification of accounts is to provide a means for the accumulation of financial information, which will be uniform for all road commissions. Secondly, the accounts are provided to facilitate the preparation of prescribed reports. Thirdly, the chart follows the Chart of Accounts and Michigan law.

The classification provides a systematic arrangement of accounts to be used in recording financial transactions of county road commissions. An adherence to this classification of accounts will assure responsible local officials and the general public that similar transactions are recorded in the same manner, not only within a road commission but also among all road commissions.

The classification of accounts is designed to serve basic legislative, budgetary and accounting objectives. The method of classifications is one deemed to best serve the legislative and executive needs of road commissions of any size.

## **ACKNOWLEDGMENTS**

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The *Uniform Accounting Procedures Manual for County Road Commissions* is issued pursuant to the requirements of PA 2 of 1968, as amended, being [sections 141.421 to 141.440a](#) of the Michigan Compiled Laws and PA 71 of 1919, as amended, being [sections 21.44 to 21.55](#) of the Michigan Compiled Laws.

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## **INTRODUCTION**

The Local Audit and Finance Division of the Department of Treasury has been given the responsibility of implementing requirements of [PA 2 of 1968](#), [PA 199 of 1975](#) and [PA 71 of 1919](#), as amended. The requirements of these Acts are two-fold:

First, the State Treasurer is required to prescribe uniform accounting and reporting standards for all county road commissions within the state.

Second, the Acts deal with the requirements for audits of county road commissions, which are covered in this manual. These laws provide, among other things that county road commissions will have the first option of selecting an independent certified public accountant. If an independent certified public accountant is not selected by the county road commission, the State Treasurer must perform the audit or select an independent certified public accountant. In all instances, the entire cost is to be borne by the county road commission.

The audit is intended to be an annual audit, except that, in the instance of counties of less than 50,000 population, the minimum state requirement will be an annual audit not less frequently than every two years. Even though not required, it is recommended that smaller counties have audits annually.

In accordance with the Bureau of Census definition and MCGA Statement #4, county road commissions are part of the reporting entity of counties and are to be audited annually in order for the Single Audit requirements to be met. OMB Circular A-133-Single Audit requires an annual audit of all funds of a county, which expends over \$300,000 in federal funds.

The fundamental benefit of the Chart of Accounts is that expenditures are broken down by object of expenditure; such as labor, equipment rental, road materials, contract purchases, utility expenditures and more. This enables the road commission to determine detailed components that make up the expenditures for primary road construction and primary road maintenance, etc.

Detailed expenditure classifications by projects can also be recorded within the activities. Line item expenditures such as labor, equipment rental, or supplies are also available for each project.

## **CODIFICATION STRUCTURE**

### **Sample 9 Digit Number**

	<u>201</u>	<u>451</u>	<u>702</u>
Fund (in Category order)	_____	_____	_____
Activity (in Function order)	_____	_____	_____
Account Numbers (in Balance Sheet order)	_____	_____	_____

## INTRODUCTION

### CODIFICATION STRUCTURE (Continued)

<u>Explanation of the Sample 9 Digit Number</u>	<u>201</u>	<u>451</u>	<u>702</u>		
"Special Revenue Fund" <u>Category</u> _____					
"County Road" <u>Fund</u> _____					
"Primary Road" <u>Function</u> _____					
"Construction" <u>Activity</u> _____					
"Personal Services" <u>Classification</u> _____					
"Salaries and Wages" <u>Account</u> _____					

The above outlined codification structure which is described in more detail in the following pages, is designed in accordance with PA 2 of 1968 and PA 71 of 1919. This structure is easily adaptable to any presently existing automatic data processing system. This structure can easily provide analysis of revenues and/or expenditures by: (1) Category; (2) Fund; (3) Function; (4) Activity; (5) Classification; or by (6) Account.

The codification structure can be expanded to include a project or work order number and to expand the classification of accounts. Codification restrictions would be those of your automatic data processing equipment and/or software.

<u>Sample Expanded Codification Number</u>	<u>201</u>	<u>5</u>	<u>471.012</u>	<u>3790</u>	<u>730.51</u>			
County Road Fund _____								
Department _____								
Activity _____								
Township, Highway, Road, or Project Number _____								
Work Order or Equipment Number, State Highway Maintenance Activity Code, Primary & Local Function Code _____								
Account Number _____								
Expansion of Account Number _____								

The codification structure can also be reduced for use with mini-equipment where ten or less funds are required, by assigning and using a single digit fund number.

<u>Sample Reduced Codification Number</u>	<u>2</u>	<u>481</u>	<u>802</u>
County Road Fund _____			
Local Road Construction _____			
Other Services and Charges Classification Engineering _____			

A further reduction of one digit fund number can be obtained by use of a two digit function/activity number when total activities are one hundred or less. The basic three digit account number should not be reduced.

## **INTRODUCTION**

### **CODIFICATION STRUCTURE (Continued)**

#### **Funds and Account Groups Applicable to County Road Commissions**

##### **Special Revenue Funds Category (201-299)**

201 County Road Fund

##### **Trust and Agency Funds Category (701-799)**

726 Employees 457 Deferred Compensation Fund

727 401K Deferred Compensation Fund

733 401K Retirement System Fund

##### **Capital Assets Account Group (900-949)**

##### **General Long-Term Debt Account Group (950-999)**

**Functions** - the grouping of activity numbers as follows:

<b><u>Activity Numbers</u></b>	<b><u>Functions</u></b>
450-479	Primary Road
480-509	Local Road
510-520	Other Activities/Functions
900-999	

(Activities are listed later in the manual with explanations).

**Classifications** - the grouping of account numbers into classes as follows:

<b><u>Account Number Group</u></b>	<b><u>Classifications</u></b>
001-199	Assets
200-344	Liabilities
345-399	Equity Section
400-699	Revenues
700-999	Expenditures

(Accounts are listed later in the manual with explanations.)

## **INTRODUCTION**

### **CODIFICATION STRUCTURE (Continued)**

This manual is designed for county road accounting. If a road commission does accounting for parks, water and sewer, or other such entities, the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan should be used to set up the funds and accounts for those functions. They will have the same account structure.

### **SUMMARY**

The revised Chart of Accounts provides information for expenditures by line item, which was not previously available. Information by line item can be used to plan, manage, control, and report expenditures by project and/or activity. This provides an additional tool to manage costs that was not heretofore available.

## **REQUIRED ACCOUNTING RECORDS**

### **Basic Records and Forms**

The following basic accounting records and forms are required by the Department of Treasury for use by all road commissions:

- General Ledger
- Cash Receipts Journal
- Cash Disbursements Journal
- General Journal (Transfer Vouchers)
- Department Receipts (Printer numbered in consecutive order)
- Transmittal/Deposit Advise (Receipts report to County Treasurer)
- Monthly Trial Balance
- Disbursement Vouchers
- Checks (Printer numbered in consecutive order)
- Imprest Cash Vouchers
- Travel Expense Vouchers
- Time/Attendance Report (Signed by Employee and Supervisor)

### **Subsidiary Accounting Records**

Subsidiary records are required to be kept for many activities and accounts as detailed in the Explanation of Accounts. (Note: Subsidiary records may be in the form of subaccounts, subsidiary ledgers, equipment cards, worksheets, spreadsheets, etc.)

### **Activity and Account Number Usage**

Activity and account numbers which do not have names assigned are OPEN activities and accounts. The control of open numbers remains with the Michigan Department of Treasury. To use open numbers prior approval must be obtained from the Local Audit & Finance Division at (517) 373-3227. **Exception:** Open account numbers in the following categories may be assigned as needed without obtaining approval from the Department of Treasury:

<b><u>Account Numbers</u></b>	<b><u>Account Name</u></b>
451-500	Licenses & Permits subaccounts
607-654	Charges for Services subaccounts
656-663	Fines & Forfeits subaccounts
700-999	Expenditure subaccounts

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

### **FUND 201 - COUNTY ROAD FUND**

**PURPOSE** - This fund is used by each county to account for the operation of the county road commission.

**CHARACTER** - This is classified as a special revenue fund because it is used to control the expenditures of motor fuel taxes which are earmarked by law and the State Constitution for street and highway purposes.

**DISTINGUISHING FEATURES** - The road commission accounting system is prescribed by the Michigan Department of Transportation and the Local Audit and Finance Division of the Michigan Department of Treasury.

**AUTHORIZATION** - This fund is required by [PA 51 of 1951](#), as amended.

**ESTABLISHMENT** - Inasmuch as every county has a County Road Fund already in use, we need not describe its establishment.

**OPERATION AND PRESENT USE** - This fund accounts for: (1) revenue obtained through a tax levy for road construction and maintenance purposes; (2) revenue received from the state distribution of gas and weight taxes; (3) reimbursement from the Michigan Department of Transportation for work done by the road commission on state trunklines; (4) contributions and reimbursements from other local units of government for work performed by the road commission; and (5) the expenditure of these funds.

This fund requires a separate bank account and is subject to budgetary requirements of [PA 2 of 1968](#), as amended.

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

### **FUND 726 - EMPLOYEES DEFERRED COMPENSATION FUND**

**(Applicable if fiduciary responsibility exists)**

**PURPOSE** - This fund is used to account for money which is set aside to pay employees for their accumulated deferred compensation. This fund is found in units, which have a deferred compensation plan for their employees where the road commission has a fiduciary responsibility.

**CHARACTER** - This fund is classified as an expendable trust fund because it is used to account for money, which is held in a trust.

**DISTINGUISHING FEATURES** - This fund can be found in all types of government.

**ESTABLISHMENT AND AUTHORIZATION** - This fund is required in all local units that have established an employees deferred compensation plan in accordance with section 457 of the Internal Revenue Code where the road commission has a fiduciary responsibility.

**OPERATION AND PRESENT USE** - The money in this fund is supplied by: (a) withholding from payroll of employees enrolled in the deferred compensation plan; and (b) from interest received on investing the funds assets. The money in this fund may be controlled by the local unit or be with a fiscal agent whichever is required by the contract.

**NOTE:** Effective January 1, 1999 (or earlier if implemented) it will no longer be necessary (or proper) to have this deferred compensation fund due to legislation passed by Congress which requires that the assets of such a fund be held in trust (or custodial or annuity contract) for the benefit of the participants. When the trust has been established, the assets of the plan will no longer be treated as assets of the road commission. Depending upon how the road commission administers a deferred compensation plan under the new statute, its creation may place an employer in the role of a fiduciary. GASB Statement 32, paragraph 4, states that the local unit should report a deferred compensation plan which meets the criteria in GASB Codification Section 1300.104c as an expendable trust in the financial statements.

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

### **FUND 727 - 401K DEFERRED COMPENSATION FUND**

**PURPOSE** - This fund is used to account for money set aside to pay employees for their accumulated 401K deferred compensation deposits.

**CHARACTER** - This fund is classified as a trust fund because it is used to account for assets held by the local unit in a trust capacity.

**DISTINGUISHING FEATURES** - This fund can be found in any road commission and is used for 401K plans to which ONLY the employee contributes. When the employer also contributes use fund 733. Only those road commissions, which had established a 401K deferred compensation plan prior to the effective date established in the Tax Reform Act of 1986 may have this fund.

**ESTABLISHMENT AND AUTHORIZATION** - This fund is established by the legislative body in accordance with IRS regulations pertaining to code section 401K.

**OPERATION AND PRESENT USE** - The money in this fund is supplied by: (a) withholding from payroll of employees; and (b) investment earnings on plan assets.

Administration of the investments of this fund may be made directly by the local unit, by contract with an insurance company, bank trust department or other organization authorized to do business in this area in Michigan.



## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

### **FUND 731 - RETIREMENT SYSTEM FUND**

**PURPOSE** - This fund is used to record the operations of an employee retirement system.

**CHARACTER** - This is classified as a trust and agency fund because it is used to account for money which is held on a trust basis by the local unit.

**DISTINGUISHING FEATURES** - This fund can be found in any road commission. The provisions for the investment of the money belonging to this fund are contained in PA 55 of 1982, [MCL 38.1132](#).

**ESTABLISHMENT AND AUTHORIZATION** - This fund is established in accordance with statutory provisions, which allow retirement benefits. Each separate retirement plan must be accounted for in a separate Retirement System Fund. Retirement plans and deferred compensation plans, established in accordance with IRS section 401K or 457 regulations, should be accounted for in trust funds 726, 727, or 733.

**OPERATION AND PRESENT USE** - The money in this fund is supplied by: (a) employer pension expense from operating funds (employer contributions); (b) deductions from employee payroll (employee contribution); (c) investment earnings; and/or (d) a special tax levy.

Administration of the investments may be directed by the local unit, by contract with an insurance company or bank trust department. Generally, if an actuarial report is prepared, a trust fund must be established in the financial records of the local unit.

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

### **FUND 733 - 401K RETIREMENT SYSTEM FUND**

**PURPOSE** - This fund is used to account for the operation of a 401K employee retirement system.

**CHARACTER** - This is classified as a trust and agency fund because it is used to account for assets held by the local unit in a trust capacity.

**DISTINGUISHING FEATURES** - This fund can be found in any road commission and is used for 401K plans to which only the employer or both the employer and employee contributes. When the employee only contributes, use fund 727. Only the road commissions, which had established a 401K retirement plan prior to the effective date established in the Tax Reform Act of 1986 may have this fund.

**ESTABLISHMENT AND AUTHORIZATION** - This fund is established in accordance with internal revenue code section 401K and statutory provisions, which allow retirement benefits. Each separate retirement plan must be accounted for in a separate Retirement System Fund. Deferred Compensation plans established in accordance with IRS section 401K or 457 regulations should be accounted for in trust funds 726 or 727.

**OPERATION AND PRESENT USE** - The money in this fund is supplied by: (a) employer pension expense from operating funds (employer contributions); (b) deductions from employee payroll (employee contribution); and/or (c) investment earnings.

Administration of the investments may be made directly by the local unit or by contract with an insurance company or bank trust department.

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

GASB 34 does not refer to the "General Fixed Assets Account Group" or the "General Long-Term Debt Account Group" and does not require separately reporting such information. However, the information must continue to be accumulated for reporting in the government-wide financial statements. The following "Account Groups" are provided for the purpose of facilitating record keeping for capital assets and long-term debt for the government-wide financial statements.

### **901 - CAPITAL ASSETS ACCOUNT GROUP**

**PURPOSE** - This account group is used to provide accounting controls over the acquisition, depreciation and maintenance of road commission capital assets and to facilitate the record keeping for capital assets which is required to be included in the government-wide financial statements.

**CHARACTER** - General Fixed Assets are those capital assets of a road commission that are purchased from the County Road Fund (Special Revenue Fund) and are not accounted for in an Enterprise Fund, Internal Service Fund, or Trust Fund.

**DISTINGUISHING FEATURES** - To be classified as a capital asset in this category, an asset must benefit more than a single fiscal period. Typical examples are land, improvements to land, easements, buildings, building improvements, equipment, infrastructure, and various intangible assets.

The Michigan Department of Treasury suggests that the Board of County Road Commissioners establish, by resolution or policy, a capitalization policy that specifies a dollar value or capitalization threshold that assets must exceed if they are to be capitalized. **Equipment with a Schedule C equipment rental rate must be classed in the fixed asset account group regardless of value.** The road commission must, of course, maintain adequate control over lower cost assets that have not been capitalized.

**ESTABLISHMENT AND AUTHORIZATION** - This account group is recommended by the Michigan Department of Treasury for the purpose of facilitating record keeping for capital assets. The capital assets are required to be reported in the Statement of Net Assets in the government-wide financial statements in accordance with GASB 34.

**OPERATION AND PRESENT USE** - Capital assets of governmental units may be acquired by several methods - purchase, construction, eminent domain, tax foreclosures and gifts. Money for the procurement of general fixed assets may come from: (1) the proceeds of bond issues; (2) proceeds of notes and other short-term debt; (3) current revenues; (4) special assessments; (5) grants from other governmental units; and (6) gifts and contributions from private individuals or organizations.

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUPS**

The General Fixed Assets Account Group is used to account for the road commission's capital assets, accumulated depreciation on capital assets, and equity in the capital assets. The purpose of this account group is to provide: (1) a listing of the road commission's capital assets; and (2) the safeguarding of the road commission's investment in capital assets.

Although the Michigan Department of Treasury recommends using Fund Number 901 to designate the road commission's Capital Assets Account Group, road commissions have the option to assign any number within the 900 - 949.

### **951 - GENERAL LONG-TERM DEBT ACCOUNT GROUP**

**PURPOSE** - This account group is used to record and fairly present a governmental unit's remaining unpaid principal of long-term general obligations and to facilitate the record keeping for long-term debt, which is required to be included in the government-wide financial statements.

**DEFINITION** - Long-term is defined as any period of time equal to or exceeding one year and one day.

**CHARACTER** - This self-balancing account group includes General Obligation Bonds and other forms of long-term debt supported by general revenues and obligations of a governmental unit as a whole (and not its individual constituent funds).

**ESTABLISHMENT AND AUTHORIZATION** - This account group is recommended by the Michigan Department of Treasury for the purpose of facilitating record keeping for long-term debt. The long-term debt is required to be reported in the Statement of Net Assets in the government-wide financial statements in accordance with GASB 34.

**OPERATION AND PRESENT USE** - After the initial liability of General Obligation Bonds has been recorded (a debit to "Amount to be Provided for Payment of Bonds" and a credit to "Bonds Payable"), transactions in the General Long-Term Debt Account Group record the periodic reduction of long-term debt. When reporting long-term debt in the Statement of Net Assets, the "Amount to be Provided for ....." will not be included.

The General Long-Term Debt Account Group is used to record the remaining unpaid principal of long-term general obligations of a road commission such as bonds payable, notes payable, lease purchase agreements, and vested employee vacation and sick leave benefits.

Although we recommend Fund Number 951 be used to designate the road commission's General Long-Term Debt Account Group, road commissions have the option to assign any number within the range 950 - 999.

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUP**

Any borrowing of money by the road commission must be approved by the state treasurer, pursuant to the Municipal Finance Act (PA 202 of 1943, as amended). These borrowings would take the form of Act 51 Road Bonds or Act 143 Road Notes. A road commission may issue an obligation/municipal security pursuant to [PA 51 of 1951](#), as amended, and [PA 143 of 1943](#), as amended. Obligations/municipal securities issued pursuant to either of these statutes requires approval or exception from prior approval by the State Treasurer as provided in the Municipal Finance Act (PA 202 of 1943, as amended). The Municipal Finance Act has been repealed effective March 1, 2002 and has been replaced by the Revised Municipal Finance Act ([PA 34 of 2001](#)). Public Act 34 requires that all municipalities, including road commissions, be "Qualified" annually to issue municipal securities without further approval by the Department of Treasury or if "Not Qualified" each municipal security shall be approved by the Department prior to issuance. (The) Appropriate applications for prior approval (of borrowing), exception from prior approval or qualification may (can) be obtained from the Local Audit and Finance Division, Department of Treasury (517-373-0660) or from the county's bond attorney. The "Qualifying Statement" is to be prepared annually by the chief administrative officer and should be submitted with the audit no later than 6 months after the fiscal year end.

### **GENERAL LONG-TERM DEBT ACCOUNT GROUP**

The road commission may enter into a contract or agreement for the purchase of machines, tools, appliances, or materials to be used for public purposes and to be paid for in installments over a period not to exceed five years or the useful life of the property acquired, whichever is less pursuant to PA 293 of 1909, as amended. These contracts or agreements are **not** borrowing of money, hence, state treasurer approval is not required.

The following accounts may be found in the General Long-Term Debt Account Group:

#### **ACCOUNT NUMBER**

#### **ACCOUNT NAME**

##### **ASSET ACCOUNTS**

186	Amount to be Provided for Payment of Debt Principal
195	Amount to be Provided for Accumulated Vacation and Sick Leave

## **EXPLANATIONS: FUNDS AND ACCOUNT GROUP**

Note: These asset accounts will be eliminated when reporting in the Statement of Net Assets.

	<b><u>LIABILITY ACCOUNTS</u></b>
300	Bonds Payable
304	Lease Payable
307	Notes Payable
310	Contracts Payable
343	Accrued Vacation & Sick Leave Payable

## **OTHER FUNDS**

Activities concerning county parks, airports, or any other functions under the jurisdiction of the road commission, but not directly concerned with the road system, should be maintained in a separate fund or funds.

## ACTIVITY INDEX

This section of the manual is an index of activities and accounts. Explanations of activities and accounts are presented later in the manual.

### EXPENDITURE ACTIVITY NUMBER

<u>Primary</u> <u>Road Funds</u>	<u>Local</u> <u>Road Funds</u>	<u>Other</u>	<u>Activity Name</u>
<b><u>Construction</u></b>			
450	480	--	Construction Control
451	481	--	Roads
452	482	--	Bridges & Structures
453	483	--	Roadside Parks
454	484	--	Non-Motorized Transportation
455	485	--	Open
456	486	--	Special Assessment Districts
457	487	--	Other Construction
<b><u>Heavy Maintenance</u></b>			
458	488	--	Heavy Maintenance Control
459	489	--	Roads
460	490	--	Bridges & Structures
461	491	--	Roadside Parks
462	492	--	Non-Motorized Transportation
463	493	--	Open
464	494	--	Special Assessment Districts
465	495	--	Other Heavy Maintenance
<b><u>Maintenance</u></b>			
466	496	--	Maintenance Control
467	497	--	Roads
468	498	--	Bridges & Structures
469	499	--	Roadside Parks
470	500	--	Non-Motorized Transportation
471	501	--	Open

## ACTIVITY INDEX

### EXPENDITURE ACTIVITY NUMBER

<u>Primary</u> <u>Road Funds</u>	<u>Local</u> <u>Road Funds</u>	<u>Other</u>	<u>Activity Name</u>
472	502	--	Winter Maintenance
473	503	--	Traffic Control
474	504	--	Other Maintenance
475	--		Open
476	--		Open
477	--		Open
478	--		Open
479	--		Open
--	505		Open
--	506		Open
--	507		Open
--	508		Open
--	509		Open
		510	Equipment Expense Direct
		511	Equipment Expense Indirect
		512	Equipment Expense Operating
		513	Distributive Expense - Fringe Benefits
		514	Distributive Expense - Other
		515	Administration
		516	Engineering
		517	State Trunkline Maintenance
		518	State Trunkline Non-Maintenance
		519	Maintenance Service for Other Units
		520	Driveway Snow Plowing (Upper Peninsula ONLY)
		521	Non-Road Projects
		900	Capital Outlay Control
		901-904	Capital Outlay Detail
		905	Debt Service Control
		906-929	Debt Service Detail
		930	Transfers In - Control
		931-964	Transfers In - Detail
		965	Transfers (Out) - Control
		966-999	Transfers (Out) - Detail



## **BALANCE SHEET ACCOUNT INDEX**

### **ASSETS (001- 199)**

#### **CURRENT ASSETS (001 - 129)**

001	Cash
002	Cash - Savings
003	Cash - Certificates of Deposit
004	Cash - Imprest (Petty)
005	Cash - Construction/Repair
006	Cash - Debt Principal and Interest Payments
007	Cash - Payroll Bank Account
008	Cash - Electronic Banking
009	Cash - (Use as needed)
010	Cash - (Use as needed)
011	Cash - (Use as needed)
012	Cash - (Use as needed)
013	Cash - (Use as needed)
014	Cash - (Use as needed)
015	Cash - (Use as needed)
016	Deposits with Fiscal Agent (short-term)
017	Investments in Securities
018	Receivable Control (019 - 105)
019	Taxes Receivable Control (020 - 057)
020	Taxes Receivable Real Property - Current Levy
021	Estimated Uncollectible Current Real Property Taxes (Credit)
022	Taxes Receivable Personal Property - Current Levy
023	Estimated Uncollectible Current Personal Property Taxes (Credit)
024	
025	
026	Taxes Receivable - Delinquent Real
027	Estimated Uncollectible Delinquent Real Taxes (Credit)
028	Taxes Receivable - Delinquent Personal Property
029	Estimated Uncollectible Delinquent Personal Property Taxes (Credit)
030	Interest and Penalties Receivable on Taxes

## **BALANCE SHEET ACCOUNT INDEX**

### **CURRENT ASSETS (001-129) (Continued)**

031	Estimated Uncollectible Interest and Penalties Receivable on Taxes (Credit)
032	Taxes Receivable - Rejected and Reassessed
033	
034	
035	Other Current Accounts Receivable - (Use as Needed)
036	Other Current Accounts Receivable - (Use as Needed)
037	Other Current Accounts Receivable - (Use as Needed)
038	Other Current Accounts Receivable - (Use as Needed)
039	Other Taxes Receivable
040	Accounts Receivable (General - Not Governmental Units)
041	Estimated Uncollectible Accounts Receivable (Credit)
042	Unbilled Accounts Receivable
043	
044	Travel Advances Receivable
045	Special Assessments Receivable - Current
046	
047	Special Assessments Receivable - Delinquent
048	
049	Special Assessments Receivable - Deferred
050	
051	
052	
053	
054	
055	
056	Interest Receivable
057	Local Unit's Share of Assessment Improvement Costs Receivable
058	Negotiable Receivables Control (059 - 069)
059	
060	Notes Receivable
061	Loans Receivable
062	Lease Receivable - Current
063	Contracts Receivable
064	Land Contracts Receivable
065	

## **BALANCE SHEET ACCOUNT INDEX**

### **CURRENT ASSETS (001-129) (Continued)**

066	
067	
068	
069	
070	Other Accounts Receivable Control (071 - 105)
071	Due from Cities
072	Due from Counties
073	
074	Due from Road Commissions
075	
076	Due from Townships (Except Road Agreements)
077	Due from Villages
078.01	Due from State - State Trunkline Maintenance
078.02	Due from State - State Trunkline Non-Maintenance
078.03	Due from State - Michigan Transportation Funds
078.04	Due from State - Dept. of Transportation - Other (Negotiated Contract)
078.05	Due from State - Chemical Storage Facility (Salt Shed)
079	Due from Federal Government
080	Due from Townships (Road Agreements)
081	Due from Other Governmental Entities
082	
083	Due from Employees
084	Due from Other Funds
085	
086	
087	
088	Service Fees Receivables
089	
090	
091	
092	
093	
094	
095	

## **BALANCE SHEET ACCOUNT INDEX**

### **CURRENT ASSETS (001-129) (Continued)**

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097	
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099	
100	
101	
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103	
104	
105	
106	Inventory Control (107 - 115)
107	
108	
109	Inventory - Road Materials
110	Inventory - Equipment Materials and Parts
111	
112	
113	Inventory - Surplus Property
114	
115	
116	
117	
118	
119	Investments - Deferred Compensation Plan
120	Investments
121	
122	
123	Prepaid Expenditures
124	Engineering and Development Expense Advance
125	Deferred Expense - Federal Aid Projects
126	Deferred Expense - State Aid Projects
127	Deferred Construction Awarded Contracts
128	Other Deferred Expenses
129	Unamortized Discounts on Bonds Sold by the Road Commission

## **BALANCE SHEET ACCOUNT INDEX**

### **CAPITAL ASSETS (130 - 159)**

#### **Only to be used in Fund 901**

- 130 Land
- 131 Land Improvements
- 132 Land Improvements Depreciating
- 133 Accumulated Depreciation - Land Improvements (Credit)
- 134 Depletable Assets
- 135 Accumulated Depletion - Depletable Assets (Credit)
  
- 136 Buildings, Building Additions, and Improvements
- 137 Accumulated Depreciation - Buildings, Additions, and Improvements (Credit)
- 138 Equipment - Road (Account #148 - Vehicles may be used for equipment that requires license plates)
- 139 Accumulated Depreciation - Road Equipment (Credit)
- 140 Equipment - Shop
  
- 141 Accumulated Depreciation - Shop Equipment (Credit)
- 142 Equipment - Engineering
- 143 Accumulated Depreciation - Engineering Equipment (Credit)
- 144 Equipment - Yard and Storage
- 145 Accumulated Depreciation - Yard and Storage Equipment (Credit)
  
- 146 Office Equipment and Furniture
- 147 Accumulated Depreciation - Office Equipment and Furniture (Credit)
- 148 Vehicles
- 149 Accumulated Depreciation - Vehicles (Credit)
- 150
  
- 151
- 152
- 153
- 154
- 155
  
- 156 Bridges
  - .01 Timber
  - .02 Metal
  - .03 Concrete
  - .04 Movable
- 157 Accumulated Depreciation - Bridges
  - .01 Timber
  - .02 Metal
  - .03 Concrete
  - .04 Movable

## **BALANCE SHEET ACCOUNT INDEX**

### **CAPITAL ASSETS (130 - 159) (Continued)**

#### **Only to be used in Fund 901**

- 158 Construction Work in Progress
- 159 Roads
  - .01 Seal Coat
  - .02 Gravel
  - .03 Asphalt
  - .04 Concrete

### **OTHER DEBITS (160 - 199)**

- 160 Accumulated Depreciation - Roads
  - .01 Seal Coat
  - .02 Gravel
  - .03 Asphalt
  - .04 Concrete
- 161 Traffic Signals
- 162 Accumulated Depreciation - Traffic Signals
- 163
- 164
- 165 Lease Receivable (Long-Term)
- 166
- 167
- 168
- 169
- 170
- 171
- 172
- 173
- 174
- 175 Encumbrances
- 176
- 177
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- 179
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## **BALANCE SHEET ACCOUNT INDEX**

### **OTHER DEBITS (160 - 199) (Continued)**

185	
186	Amount to be Provided for Payment of Debt Principal (Long-Term Debt only)
187	
188	
189	
190	
191	
192	
193	
194	
195	Amount to be Provided for Accumulated Vacation and Sick Leave (Long-Term Debt Account Group only)
196	
197	Long-Term Contracts Receivable
198	
199	

### **LIABILITIES (200 - 334)**

#### **CURRENT LIABILITIES (200 - 299)**

200	
201	Vouchers Payable
202	Accounts Payable
203	Consignment Payable
204	
205	Judgments Payable
206	
207	Notes Payable
208	Lease Payable (Current)
209	
210	Contracts Payable
211	Contracts Payable Retained Percentage
212	Awarded Contracts Payable Unbilled
213	Land Contracts Payable Current Portion
214	Due to Other Funds

## **BALANCE SHEET ACCOUNT INDEX**

### **CURRENT LIABILITIES (200 - 299) (Continued)**

215	
216	
217	
218	
219	
220	
221	
222	Due to Counties
223	
224	Due to Road Commissions
225	
226	
227	
228	Due to State of Michigan
229	Due to Federal Government
230	Due to Other Units of Government
231	Payroll Deductions Payable
232	Due to Employees
233	Due to Former Employees
234	
235	
236	
237	
238	
239	
240	
241	Advances from Cities
242	
243	
244	
245	
246	Advances from Townships
247	Advances from Villages
248	
249	Advances from Other Units of Government



## **BALANCE SHEET ACCOUNT INDEX**

### **CURRENT LIABILITIES (200 - 299) (Continued)**

250	Bonds Payable - Current
251	Accrued Interest Payable
252	
253	
254	
255	Customer's Deposits - Driveway Snow Plowing (U.P. Only)
256	
257	Accrued Wages Payable
258	Accrued Taxes Payable (Includes Payroll Taxes)
259	
260	
261	
262	
263	
264	Other Accrued Liabilities
265	
266	
267	
268	Escheatable Money
269	
270	
271	
272	
273	
274	
275	
276	Receipts Refundable
277	
278	
279	
280	
281	
282	
283	Performance Deposits Payable
284	

## **BALANCE SHEET ACCOUNT INDEX**

### **CURRENT LIABILITIES (200 - 299) (Continued)**

285	
286	Due to Fiscal Agent
287	
288	
289	Unamortized Premiums on Bonds Sold
290	
291	
292	
293	
294	
295	
296	
297	
298	
299	Other Current Liabilities

### **LONG TERM LIABILITIES (300 - 334)**

300	Bonds Payable
301	
302	
303	
304	Lease Payable (Non-Current)
305	
306	
307	Notes Payable
308	
309	
310	Contracts Payable (Long-Term)
311	
312	
313	
314	Advances From Other Funds

## **BALANCE SHEET ACCOUNT INDEX**

### **LONG TERM LIABILITIES (300 - 334) (Continued)**

315	
316	
317	
318	
319	
320	
321	
322	
323	
324	
325	
326	
327	
328	Advances from State
328.01	State Trunkline Equipment Purchase Advance
328.02	State Trunkline Maintenance Advance
329	Advances from Federal Government
330	
331	
332	
333	Advances - Special Assessment Districts
334	

### **OTHER CREDITS (335 - 344)**

335	
336	
337	
338	
339	Deferred Revenue
340	
341	
342	
343	Accrued Vacation and Sick Leave Payable (Long-Term)
344	

## **BALANCE SHEET ACCOUNT INDEX**

### **FUND EQUITY SECTION (345 - 364) Open**

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### **FUND BALANCE RESERVES (365 - 389)**

365 Fund Balance Reserved for Encumbrances

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368 Fund Balance Reserved for Inventory

369

370

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372

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376 Fund Balance Reserved for Retirement System

377

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## BALANCE SHEET ACCOUNT INDEX

### FUND BALANCE RESERVES (365 - 389) (Continued)

380	
381	
382	
383	
384	Fund Balance - Other Reserves
385	Fund Balance Reserved for Self-Insurance
386	Fund Balance Reserved for Deferred Compensation
387	
388	
389	Reserve for Long-Term Federal Contracts Receivable

### UNRESERVED FUND BALANCE (390 - 399)

390	Fund Balance
390.01	Primary Road Funds
390.02	Local Road Funds
390.03	County Road Commission Funds
391	
392	
393	Fund Balance - Designated
394	
395	
396	
397	
398	
399	Investment in Capital Assets
399.01	Primary Road Funds
399.02	Local Road Funds
399.03	County Road Commission Funds

## **REVENUE ACCOUNT USAGE**

The only revenue accounts that will be mandatory are the following listed accounts:

1. Revenue Control
2. Taxes Control
3. Licenses & Permits Control
4. Federal Grants Control
5. State Grants Control
6. Contributions from Local Units Control
7. Charges for Services Control
8. Fines & Forfeits Control
9. Interest & Rents Control
10. Other Revenue Control
11. Other Financing Sources Control

The above items are also considered revenues by source for budgeting purposes. Accounts numbered 1 through 10 are also the revenue categories that must be reported in county financial reports. However, in county financial reports, Item 11 - Other Financing Sources must be classified in greater detail, such as proceeds from sale of bonds and appropriation transfers in. This is illustrated in the "Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan," published by the Michigan Department of Treasury. The Act 51 financial reports require more detailed reporting of revenue. The classification and accounting for these detailed revenues are provided in the "subaccount" column of this manual.

The road commission may use as much or as little detail as they wish. The best guide to use when assigning detail account numbers is to use the greatest detail to meet your reporting requirement. For uniform reporting within the county, we suggest you assign the same number for applicable accounts used by other county agencies.

Subaccount numbers 451 - 500 for Licenses and Permits may be assigned by the road commission to various licenses and permits as they affect each road commission differently.

Subaccount numbers 607 - 654 for Charges for Services may be assigned by each road commission, as they wish, using the guidelines listed in the column labeled subaccounts.

The subaccount numbers under Fines and Forfeits (656 - 663), Other Revenues (672 - 694) and Other Financing Sources (696 - 699) may be assigned within these categories by the road commission, as needed.

If the reporting of revenue is expanded to subaccounts in the categories of Taxes, Federal Grants, State Grants, Contributions from Local Units, and Interest and Rents, the subaccount numbers as listed must be used.

## REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
400	REVENUE CONTROL (Financial Statement Reporting Category) <b>(Point off revenue detail as needed or desired.)</b>		
401	TAXES CONTROL (Financial Statement Reporting Category)		
		403	Current Property Taxes - Extra or Special Voted
		413	Delinquent Property Taxes
		420	Unpaid Personal Property Taxes
		431	Submarginal Land Act (Bankhead Jones)
		445	Penalties & Interest on Taxes
450	LICENSES & PERMITS CONTROL (Financial Statement Reporting Category)		
		451-500	Assign as needed
501	FEDERAL GRANTS CONTROL (Financial Statement Reporting Category)		
		510	Federal Grants - Highways (MDOT - Private Contractors)
		.02	Urban Highway
		.03	Hazard Elimination Safety
		.04	Railroad Safety
		.05	Critical Bridge
		.06	Discretionary (85% Floor)
		.07	ISTEA "D" Enhancement Funds
		.071	Surface Transportation Program (STP) - Primary
		.072	Surface Transportation Program (STP) - Local
		.073	(STP) - Other
		.081	Category "C" - Urban Congestion - Primary
		.082	Category "C" - Urban Congestion - Local

## REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
501	FEDERAL GRANTS CONTROL (Continued)		
		.091	Category "D" - Rural - Primary
		.092	Category "D" - Rural - Local
		.10	Demonstration Funds - Primary
		.11	Demonstration Funds - Local
		.13	Congestion Mitigation Grants
		.14	High Priority Grants
		511	Federal Grants - Highway (Negotiated Contracts)
		.01	Federal Aid Secondary
		.02	Urban Highway
		.03	Hazard Elimination Safety
		.04	Railroad Safety
		.05	Critical Bridge
		.06	Discretionary (85% Floor)
		.07	ISTEA "D" Enhancement Funds
		.071	Surface Transportation Program (STP) - Primary
		.072	Surface Transportation Program (STP) - Local
		.073	(STP) - Other
		.081	Category "C" - Urban Congestion - Primary
		.082	Category "C" - Urban Congestion - Local
		.091	Category "D" - Rural - Primary
		.092	Category "D" - Rural - Local
		.13	Congestion Mitigation Grants
		.14	High Priority Grants
		512	CDBG Community Development Block Grant Funds
		521	Non-Road Related Projects
		523	Culture and Recreation Grants (US Fish and Wildlife Services)
		530	FEMA and Emergency Relief
		531	Federal Training Programs
		536	National Highway Safety (NHS) Fund
		.01	Primary
		.02	Local



## REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
539	STATE GRANTS CONTROL (Financial Statement Reporting Category)		
		546	Michigan Transportation Fund
		.01	Engineering
		.02	Primary Road
		.03	Local Road
		.04	Primary Urban Road
		.05	Local Urban Road
		.06	Snow Removal
		547	Critical Bridge
		.01	Primary Road
		.02	Local Road
		548	State Aid Category "E"
		.02	"E" - Primary
		.03	"E" - Local
		549	State Aid Category "A"
		.02	"A" - Primary
		.03	"A" - Local
		550	State Aid TED Category "C"
		.02	"C" - Primary
		.03	"C" - Local
		551	TED - "D" Funds - Rural Primary
		552	TED - "F" Funds - Urban Area
		553	TED/STP - Transfer
		554-569	Assign as needed
		570	State Aid - FEMA
580	CONTRIBUTIONS FROM LOCAL UNITS CONTROL (Financial Statement Reporting Category)		
		583	Contributions from Local Units
			Highways
		.01	City Contributions
		.03	School Contributions
		.04	Township Contributions
		.05	Village Contributions
		.06	Other Governmental Contributions

## REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
600	CHARGES FOR SERVICES CONTROL (Financial Statement Reporting Category)		
		607	Charges for Services - Fees
		608	Subdivision Fees
		.01	Subdivision Inspection Fees
		.02	Subdivision Sign Fees
		609-625	Assign as needed
		626	Charges for Services Rendered
		627	State Trunkline Maintenance Control
		.01	State Trunkline Maintenance
		.02	State Trunkline Non-Maintenance and Special Projects
		628	
		629	
		.01	Overhead - State Trunkline Maintenance
		.02	Overhead - State Trunkline Non-Maintenance and Special Projects
		630	Overhead - All Other Services
		.01	Overhead - Tax Exempt
		.02	Overhead - Other
		.03	Overhead - Chemical Storage Construction
		.05	Overhead - Chemical Storage Maintenance and Operation
		631	Driveway Installations
		632-640	Assign as Needed for Other Services
		641	Driveway Snow Plowing (U.P. Only)
		642	Charges for Services - Sales
		643	Scrap and Salvage
		.01	Equipment Related
		.02	(Non-Equipment) Road Related
		644	Maps
		645	Plans and Specifications
		646	Handling Charges on Materials Sold
		647-650	Assign as Needed for Other Sales

## REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
600	CHARGES FOR SERVICES CONTROL (Continued) (Financial Statement Reporting Category)		
		651	Charges for Services - Use and Admission Fees
		652	Parking Fees
		653-654	Assign as Needed for Other Use and Admission Fees
655	FINES & FORFEITS CONTROL (Financial Statement Reporting Category)		
		656-663	Assign as Needed for Parking Penalties, Forfeitures, etc.
664	INTEREST & RENTS CONTROL (Financial Statement Reporting Category)		
		665	Interest
		666	Dividends
		667	Rents
		668	Royalties
		669	Equipment Rental Credits
		670	Gain or Loss on Equipment Usage
671	OTHER REVENUE CONTROL (Financial Statement Reporting Category)		
		672	Special Assessments
		673	Sale of Fixed Assets
		.01	Sale of Land
		.02	Sale of Building
		674	Contributions from Public Enterprises
		675	Contributions and Donations from Private Sources
		676	Reimbursements
		677-686	Assign as Needed
		687	Refunds - Rebates
		688	Trade In Allowances
		689	Equipment Retirements
		690	Depreciation and Depletion Credit
		.01	Depreciation - Infrastructure Assets (GASB 34 Entry Only)

## REVENUE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
671	OTHER REVENUE CONTROL (Continued) (Financial Statement Reporting Category)		
		691	Purchase Discounts
		692	
		693	Gain or Loss on Sale of Fixed Assets
		.01	Gain or Loss on Disposal of Road Equipment
		.02	Gain or Loss on Sale of Surplus Property
		.03	Gain or Loss on Return of Inventory
		694	Cash Over or Short
695	OTHER FINANCING SOURCES CONTROL (Financial Statement Reporting Category)		
		696	Bond and Insurance Recoveries
		697	Installment Purchase and Lease Proceeds
		698	Proceeds from Sale of Bonds/Notes
		699	Appropriation Transfers In Primary Government
700	EXPENDITURE CONTROL		
		<b>Point off expenditure detail as needed or desired.</b>	
701	PERSONAL SERVICES CONTROL (Financial Statement Reporting Category)		
		702-725	
		702	Salaries and Wages (Use 703-707, if breakdown is desired)
		703	Administrative
		.01	Commissioners
		.02	Clerical
		.03	Managers
		704	Operations
		705	Engineering
		706	Traffic
		707	Shop
		708	
		709	Vacation

## EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
701	PERSONAL SERVICES CONTROL (Continued)		
		710	Sick Leave
		711	Holiday
		712	Other Salaries and Wages
		.01	Funeral
		.02	Jury Duty
		.03	Disability
		713	Personal Leave
		714	Longevity
		715	Social Security
		716	Health Insurance (May include Dental Insurance, Vision Insurance, or point off 716)
		717	Life Insurance and Disability
		718	Retirement
		719	Workers Compensation
		720	Unemployment
		721	Drug Testing
		722	
		723	
		724	Other Fringe Benefits
		725	Fringes Recovered (Credit)
726	SUPPLIES	727-799	
		727	Postage
		728	Office Supplies
		729	Engineering Supplies
		730	Dues and Subscriptions
		731	Janitor Supplies
		732	Traffic Control Supplies
		733	Welding Supplies
		734	Safety Supplies
		736	Tire Shop Supplies
		737	Shop Supplies
		738	
		739	Maps
		740	
		741	Parts
		742	Gas

## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
726	SUPPLIES (Continued)		
		743	Diesel
		744	Unleaded
		745	Anti-Freeze
		746	Motor Oil
		747	Tires and Tubes
		748	Blades
		749	
		750	
		751	
		752	
		753	
		754	
		755	
		756	
		757	
		758	
		759	
		760	Road Materials Control
		761	Gravel
		762	Cold Patch
		763	Sand
		764	Salt
		765	Asphalt
		766	Brine
		767	Culvert
		768	Signs
		769	Guardrail
		770	Posts
		771	
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		773	
		774	
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		780	

## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
726	SUPPLIES (Continued)	781	
		782	
		783	
		784	
		785	
		786	
		787	
		788	
		789	
		790	Small Road Tools
		791	Inventory Adjustments
		792	
		793	
		794	
		795	
		796	
		797	
		798	
		799	
800	OTHER SERVICES AND CHARGES	801-969	
		801	Contractual Services
		802	Engineering Services
		.01	Construction
		.02	Right-of-Way
		.03	Design
		803	Legal Services
		804	Auditing and Accounting Services
		805	Health Services
		806	Laundry Services
		807	Data Processing
		808	Road Contractor
		809	Bridge Contractor
		810	Education
		811	
		812	

## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)	813	
		814	
		815	
		816	
		817	
		818	
		819	
		820	
		821	
		822	
		823	
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		842	
		843	
		844	
		845	
		846	
		847	
		848	
		849	
		850	Communications 851-859 (Use if 851-859 breakdown is not desired)



## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)		
		851	Telephone Communications
		852	Radio System
		853	Weather Service
		854	
		855	
		856	
		857	
		858	
		859	
		860	Transportation 861 - 873 (Use if 861 - 873 breakdown is not desired)
		861	Travel and Mileage
		862	Freight
		863	
		864	
		865	
		866	
		867	
		868	
		869	
		870	
		871	
		872	
		873	Public Relations
		874	Advertising
		875	Insurance - Buildings and Contents
		876	Insurance - Boiler and Machinery
		877	Insurance - Bonds
		878	Insurance - Fleet
		879	Insurance - Contractors Equipment
		880	Insurance - Umbrella
		881	Insurance - Errors and Omissions
		882	Insurance - General Liability
		883	Insurance - Underground Tank Liability
		884	
		885	
		886	

## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)	887	
		888	
		889	
		890	Claims Paid
		891	
		892	
		893	
		894	
		895	
		896	
		897	
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		915	
		916	
		917	
		918	
		919	
		920	Public Utilities 921 - 929 (Use if breakdown is not desired)
		921	Electricity
		922	Heat
		923	Water and Sewage
		924	
		925	
		926	

## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)		
		927	
		928	
		929	
		930	Repairs and Maintenance 931 - 939 (Use if breakdown is not desired)
		931	Buildings Repair/Maintenance
		932	Yard and Storage - Repair/Maintenance
		933	Shop Equipment - Repair/Maintenance
		934	Office Equipment - Repair/Maintenance
		935	
		936	
		937	
		938	
		939	
		940	Rentals (Use if 941 - 943 breakdown is not desired)
		941	Equipment Rental - Road Type
		942	Building Rental
		943	Equipment Rental - Office
		944	Petro Tanks - Registration Fees
		945	Leaking Tank - Initial Fees
		946	Leaking Tank - Corrective Action and Plan Cost
		947	Leaking Tank - Indemnification Cost
		948	Leaking Tank Fines and Penalties
		949	
		950	
		951	
		952	
		953	
		954	
		955	Miscellaneous 956 - 965 (Use if breakdown is not desired)
		956	Safety Expense
		957	Gravel Pit Inspections
		958	
		959	
		960	County Drain Assessments

## EXPENDITURE ACCOUNT INDEX

<u>Control Number</u>	<u>Mandatory Accounts</u>	<u>Account Number</u>	<u>Sub-Account</u>
800	OTHER SERVICES AND CHARGES (Continued)		
		961	Property Taxes
		962	
		963	
		964	
		965	
		966	State Trunkline Overhead
		967	Overhead - Other
		968	Depreciation and Depletion (Use the following subaccounts if a detailed breakdown is desired)
		.01	Depreciation - Land Improvements
		.02	Depreciation - Buildings
		.03	Depreciation - Road Equipment
		.04	Depreciation - Shop Equipment
		.05	Depreciation - Engineering Equipment
		.06	Depreciation - Yard and Storage
		.07	Depreciation - Office Equipment and Furniture
		.08	Depreciation - Vehicles
		.09	Depletion
		969	
970	CAPITAL OUTLAY	971-989	<b>Individual Subaccounts are Suggested for the Following Account Numbers.</b>
	Expenditures, which result in the acquisition of or addition to, fixed assets.		
	Point off the following account numbers to designate various sites or equipment.		
		971	Land
		972	
		973	
		974	Land Improvements
		975	Buildings
		976	Road Equipment (Account #981 - Vehicles may be used for equipment that requires license plates)
		977	Shop Equipment
		978	Engineering Equipment

## EXPENDITURE ACCOUNT INDEX

<u>Control</u> <u>Number</u>	<u>Mandatory Accounts</u>	<u>Account</u> <u>Number</u>	<u>Sub-Account</u>
970	CAPITAL OUTLAY (Continued)	979	Yard and Storage Equipment
		980	Office Equipment and Furniture
		981	Vehicles - (that require license plates)
		982	
		983	
		984	
		985	
		986	
		987	Depletable Assets
		988	
		989	
990	DEBT SERVICE	991-998	
		991	Principal
		992	
		993	
		994	
		995	Interest
		996	
		997	
		998	
999	OPERATING TRANSFERS (OUT)		

## **FUNCTION CODE USAGE**

The function index presented in this manual is based primarily on functions and function codes used by the Michigan Department of Transportation. Counties which have a state trunkline maintenance contract with MDOT should use the codes presented under Road and Structures Maintenance Function Codes for all expenditures charged to state trunkline maintenance.

For all other expenditures, use of the function index is optional as the index is intended to be used only as a guide. Road commissions may assign additional functions and function codes to whatever detail they want.

## **FUNCTION CODE INDEX**

### **ROAD CONSTRUCTION AND HEAVY MAINTENANCE FUNCTION CODES**

<b><u>Function Code</u></b>	<b><u>Function Name</u></b>
001	Engineering
002	Surveying and Plans
003	Right-of-Way
004	Clearing and Grubbing
005	Tree Removal
006	Traffic Control
007	Grading
008	Drainage/Ditching
009	Sub-Grade
010	Surface
011	Seeding and Mulching
012	Shoulders
015	Structure
016	Guard Rail
017	Excavation

## **FUNCTION CODE INDEX**

### **ROAD AND STRUCTURES MAINTENANCE FUNCTION CODES** (Continued)

<b><u>Function Code</u></b>	<b><u>Function Name</u></b>
<b><u>Road Maintenance</u></b>	
100	Dust Control
104	Seal Coating
109	Surface Maintenance
119	Shoulder Maintenance
121	Trees and Shrub Removal
122	Drainage and Backslope
124	Roadside Clean Up
126	Grass and Weed Control
128	Culverts and Underdrain
129	Non-Motorized Trails
130	Guard Rail and Guard Rail Posts
132	Sweeping and Flushing
133	Tourist Facility Maintenance (State Trunkline)
134	
135	
137	Right-of-Way Fence Repair
138	Tourist Facility Maintenance (County Road)
139	Other Routine Maintenance
141	Winter Maintenance Operation
144	Winter Maintenance Patrol
149	Other Winter Maintenance

## **FUNCTION CODE INDEX**

### **ROAD AND STRUCTURES MAINTENANCE FUNCTION CODES** (Continued)

<b><u>Function Code</u></b>	<b><u>Function Name</u></b>
<b><u>Structure Maintenance</u></b>	
150	Assisting Bridge Crews
151	Maintenance
152	Painting
153	Pumphouses
154	Moveable Spans
155	Building Maintenance (Blue Water Only)
156	Seal Joints - Bridge
157	Metal Hand Railing - Bridge
158	Bridge Slope Repairs
159	Other Bridge Maintenance
<b><u>Sign Maintenance</u></b>	
160	Traffic Signs
161	Traffic Signal Repair
162	Pavement Marking
163	Maintaining Thermal Plastic Lines
164	Delineation Maintenance
165	Attenuation Maintenance
167	Structural Signs Maintenance
168	Traffic Signal Energy
169	Other Sign Maintenance



## **FUNCTION INDEX**

### **ROAD AND STRUCTURES MAINTENANCE FUNCTION CODES** (Continued)

<b><u>Function Code</u></b>	<b><u>Function Name</u></b>
<b><u>Administrative Costs</u></b>	
180	Engineer
181	Overhead
182	Accident Investigation
185	Field Supervision
186	Roadway Inspection
187	Leave Benefits and Insurance
188	Permit Inspection (Non-Billable Permit Work)
189	Drainage Assessments

## **DEFINITIONS**

### **CONSTRUCTION**

- The building of a totally new road where no road previously existed
- The addition of lanes to an existing roadway (only the additional lane area is considered construction)

### **RECONSTRUCTION**

- A change to the vertical or horizontal curve of an existing roadway

### **HEAVY MAINTENANCE**

- The improvement of an existing road or street by correcting the grades, drainage structures, width, alignment, surface, and the hard surfacing of gravel roads
- The re-building of existing bridges or grade separations and the repair of such structures by strengthening, and the replacement of piers and abutments
- The initial signing of newly constructed roads or streets, major resigning of projects, and the installation, replacement, or improvement of traffic signals

### **Items of Work Regarded as Heavy Maintenance**

- Placing a hard surface on a gravel road
- All items normally included in a construction contract for a road or street, including the removal of old roadbed, structures, detour expense, and replacement of any sidewalks damaged by construction or made necessary by change of grade
- Rebuilding short sections of roadway to super-elevate curves, to improve grades, to lengthen horizontal curves, and to improve sight distances
- Resurfacing a bituminous, concrete, or brick surface with bituminous materials
- Placing three inches or more of new aggregate on prepared gravel or stone surfaces to substantially increase the thickness of the surfacing material beyond that originally built
- Curb, or curb and gutter construction in block lengths
- Surfacing or shoulders with materials of higher quality than adjacent roadsides
- Installation of new culverts, wash checks, baffles, drains, sewers, and catch basins on old or new roads or streets
- Installation of traffic signs, delineators, traffic signals, and pavement markings on newly constructed roads or streets, or the original installation on old roads and streets
- Extending old culverts and rebuilding headwalls
- Building flood control, flood prevention, and earthwork protective structures
- Bridges, grade separations, or culverts and required major modifications consisting of strengthening or replacement of piers and abutments, or complete deck replacements

## **DEFINITIONS**

### **MAINTENANCE**

- Keep the road or street, roadbed, surface, and drainage in good repair
- Prevent damage from water or wind
- Repair and paint bridges and guard rails
- Provide for safe and convenient travel by keeping signs, signals, and pavement markings in good condition
- Snow and ice removal
- Cleaning the road or street surface

#### **Work Items Regarded as Routine Maintenance**

- Placing new aggregate on an existing gravel or stone surface to replace original material worn off
- Reconditioning of bituminous surfaces of any length section by scarifying and remixing or resurfacing without scarifying when new material is added which increases the existing bituminous surface less than  $\frac{3}{4}$  inch
- Patching and repairing roadway surface of bituminous, concrete, or brick
- Cleaning of ditches and drainage structures
- Dust layers, sprinkling, and flushing
- Brushing and tree trimming
- Retracing pavement markings
- Replacement in kind, or repair of traffic signs, delineators, and traffic signals
- Guard rail or right-of-way fence repair or replacement and new installation of less than 500 feet on old roadways

### **BRIDGE**

- A structure of 20 feet or more clear span length, crossing a drain, stream, or dry gully. A timber bridge is a bridge constructed from timber with a 20 foot or more clear span length crossing a drain, stream or dry gully. A metal structure bridge is a metal culvert or multi-plate arch structure with a 20 foot or more clear span length allowing for water to cross a drain, stream or dry gully. A concrete bridge is a concrete constructed structure with a 20 foot or more clear span length crossing a drain, stream or dry gully. This includes concrete I-beam with concrete deck, steel I-beam with concrete deck, jack arch (steel I-beam with concrete deck, steel I-beam with concrete slam on metal sheeting, pre-cast concrete arch, concrete box beam with concrete deck, and concrete box beam with bituminous deck.

### **CULVERT**

- A structure of less than 20 feet clear span

## **ACTIVITY EXPLANATIONS**

- 450    Primary Road Construction Control - This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental and any other expense applicable to primary road construction where Act 51 Funds are used.

**Construction is the building of a new road, street or bridge on a new location, and the addition of lanes to increase the capacity for through traffic. Reconstruction is a change to the vertical or horizontal curve of a roadway including the new surface of the changed roadway that is to be included in construction.**

For greater detail, the road commission will use the following activity numbers:

- 451    Primary Road - Construction
  - 452    Primary Road - Bridges and Structures Construction
  - 453    Primary Road - Roadside Parks Construction
  - 454    Primary Road - Non-Motorized Transportation Construction
  - 455    Open
  - 456    Primary Road - Special Assessment District Construction
  - 457    Primary Road - Other Construction
- 458    Primary Road Heavy Maintenance Control - This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the heavy maintenance of primary roads where Act 51 Funds are used.

**Heavy Maintenance is the improving of an existing road or street by correcting the grades, drainage structures, width, alignment, surface, and the hard surfacing of gravel roads. It is the rebuilding of existing bridges or grade separations, and the repair of such structures by strengthening, and the replacement of piers and abutments. It is the initial signing of newly constructed roads or streets, major resigning projects, and the installation, replacement or improvement of traffic signals.**

For greater detail, the road commission will use the following activity numbers:

- 459    Primary Road - Heavy Maintenance
  - 460    Primary Road - Bridges and Structures Heavy Maintenance
  - 461    Primary Road - Roadside Parks Heavy Maintenance
  - 462    Primary Road - Non-Motorized Transportation Heavy Maintenance
  - 463    Open
  - 464    Primary Road - Special Assessment District Heavy Maintenance
  - 465    Primary Road - Other Heavy Maintenance
- 466    Primary Road Maintenance Control - This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the maintenance of primary roads where Act 51 Funds are used.

## ACTIVITY EXPLANATIONS

**Routine Maintenance is the routine work and materials required to keep the road or street, roadbed, surface, and drainage in good repair; prevent damage from water or wind; repair and paint bridges and guard rails; provide for safe and convenient travel by keeping signs, signals and pavement marking in good condition; by snow and ice removal; and cleaning the road or street surface.**

For greater detail, the road commission will use the following activity numbers:

- 467 Primary Road - Maintenance
- 468 Primary Road - Bridges and Structures Maintenance

**A bridge is a structure of 20 feet or more clear span length, crossing a drain, stream or dry gully.**

- 469 Primary Road - Roadside Parks Maintenance
- 470 Primary Road - Non-Motorized Transportation Maintenance
- 471 Open
- 472 Primary Road - Winter Maintenance
- 473 Primary Road - Traffic Control
- 474 Primary Road - Other Maintenance
- 475 Open - These activity numbers are available for assignment to possible future
- 479 primary road programs which may be established by MDOT.
- 480 Local Road Construction Control - This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the construction of local roads within the county where Act 51 Funds are used.

**Construction is the building of a new road, street or bridge on a new location, and the addition of lanes to increase the capacity for through traffic. Reconstruction is a change to the vertical or horizontal curve of a roadway including the new surface of the changed roadway that is to be included in construction.**

For greater detail, the road commission will use the following activity numbers.

- 481 Local Road - Construction
- 482 Local Road - Bridges and Structures Construction
- 483 Local Road - Roadside Parks Construction
- 484 Local Road - Non-Motorized Transportation Construction.
- 485 Open
- 486 Local Road - Special Assessment District Construction
- 487 Local Road - Other Construction
- 488 Local Road Heavy Maintenance Control - This activity is found in the County Road Fund. It reflects such expenses as salaries, wages, materials, equipment rental, etc., used in the heavy maintenance of local roads.

## **ACTIVITY EXPLANATIONS**

**Heavy Maintenance is the improving of an existing road or street by correcting the grades, drainage structures, width, alignment, surface, and the hard surfacing of gravel roads. It is the rebuilding of existing bridges or grade separations, and the repair of such structures by strengthening, and the replacement of piers and abutments. It is the initial signing of newly constructed roads or streets, major resigning projects, and the installation, replacement or improvement of traffic signals.**

For greater detail, the road commission will use the following activity numbers:

- 489 Local Road - Heavy Maintenance
- 490 Local Road - Bridges and Structures Heavy Maintenance

**A bridge is a structure of 20 feet or more clear span length, crossing a drain, stream or dry gully.**

- 491 Local Road - Roadside Parks Heavy Maintenance
- 492 Local Road - Non-Motorized Transportation Heavy Maintenance
- 493 Open
- 494 Local Road - Special Assessment District Heavy Maintenance
- 495 Local Road - Other Heavy Maintenance
  
- 496 Local Road Maintenance Control - This activity is found in the County Road Fund. It reflects such expenses as salaries and wages, materials, equipment rental, etc., used in the maintenance of local roads within the county where Act 51 Funds are used.

**Routine Maintenance is the routine work and materials required to keep the road or street, roadbed, surface and drainage in good repair; prevent damage from water or wind; repair and paint bridges and guard rails; provide for safe and convenient travel by keeping signs, signals and pavement marking in good condition; by snow and ice removal; and cleaning the road or street surface.**

For greater detail, the road commission will use the following activity numbers:

- 497 Local Road - Maintenance
- 498 Local Road - Bridges and Structures Maintenance
- 499 Local Road - Roadside Parks Maintenance
- 500 Local Road - Non-Motorized Transportation Maintenance
- 501 Open
- 502 Local Road - Winter Maintenance
- 503 Local Road - Traffic Control
- 504 Local Road - Other Maintenance

## ACTIVITY EXPLANATIONS

505 - Open - These activity numbers are available for assignment to possible future local  
509 road programs which may be established by MDOT.

510 Equipment Expense - Direct - This activity should be debited with all direct repair labor costs and payments made on equipment repairs. These expenses can be posted directly to this activity from the cash disbursements journal. Depreciation of road equipment is debited to this activity by crediting "Depreciation and Depletion" revenue account #690. Road commissions may charge materials and parts purchased for a specific piece of equipment directly to "Equipment Expense" from the cash disbursements journal, or they may charge such material and parts to account #110, "Inventory - Equipment Materials and Parts" and charge to "Equipment Expense - Direct" by crediting the inventory account #110. This activity is closed into the "Gain or Loss on Equipment Usage" account #670 at the end of year.

511 Equipment Expense - Indirect - This activity should be charged with general items of expense or repair cost, and expenses in connection with maintaining and storing equipment not specifically chargeable to a piece of equipment.

Indirect repair and storage costs which should be charged to this activity are as follows:

### ACCOUNT

<u>NUMBER</u>	<u>ACCOUNT NAME</u>
707	Wages - Shop and Garage
712-724	Fringe Benefits - Shop Employees
721	Drug Testing
728	Office Supplies - Shop
731	Janitor Supplies - Shop
733	Welding Supplies
734	Safety Supplies - Shop
736	Tire Shop Supplies
737	Shop Supplies
791	Equipment Material/Parts Inventory Adjustment
801	Contractual Services - Shop
805	Health Services
806	Laundry Services
807	Data Processing - Shop
810	Education Expense - Shop Employees
850-859	Communications - Shop
861	Travel and Mileage - Shop Employees
862	Freight Costs
875	Insurance - Shop Buildings
876	Insurance - Boiler and Machine

## ACTIVITY EXPLANATIONS

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
878	Insurance - Fleet
883	Insurance - Underground Tank
921-923	Utilities - Shop and Storage Buildings
931	Buildings Repairs and Maintenance
932	Yard and Storage Repairs and Maintenance
933	Shop Equipment Repairs and Maintenance
934	Office Equipment Repairs and Maintenance
941	Equipment Rental - Shop Pickup/Wrecker
944-947	Underground Storage Tank Expense
956	Safety Expense - Shop
968	Depreciation - Shop Building
968	Depreciation - Storage Building
968	Depreciation - Shop Equipment
968	Depreciation - Stockroom Expense

This activity is closed into the "Gain or Loss on Equipment Usage" account (#670) at the end of the year.

512    Equipment Expense Operating - This activity should be used to account for operating costs of equipment.

This activity should be charged with fuel, motor oil, grease and anti-freeze, but only as used and credited to the inventory account.

Charges for oil, grease, and anti-freeze for each piece of equipment will be determined in like manner.

The activity is closed into the "Gain or Loss on Equipment Usage" account (#670) at the end of the year.

513    Distributive Expense - Fringe Benefits - This activity may be charged with employment benefits given in addition to employees' wages or salaries.

Fringe benefits which should be charged to this activity are:



## ACTIVITY EXPLANATIONS

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
709	Vacation
710	Sick Leave
711	Holiday Pay
712	Funeral Leave
712	Jury Duty Pay
713	Personal Leave
714	Longevity
715	Social Security
716	Health Insurance (May include Dental Insurance, Vision Insurance, Cancer Insurance, or point off 716)
717	Life and Accident Insurance
718	Retirement
719	Workers Compensation Insurance
720	Unemployment
724	Other Fringe Benefits
725	Fringe Benefits Recovered (Credit) (Use of this account is optional. Benefit recoveries may be credited to this account or to the account expended from originally.)

Expenditures charged to the fringe benefits activity must be distributed to various other activities at year end, based on payroll, in accordance with the instructions for Fringe Expense Distributive Expense Schedule III for the Act 51 Annual Financial Report.

Note: Fringe benefits may be distributed monthly on an estimated basis (such as the prior year's fringe benefits rate) for the first 11 months of the accounting period. If this method is used, the 12th and final distribution must include adjustments to ensure that total fringe benefits for the year are distributed in accordance with Fringe Expense Distributive Schedule from the Act 51 Report.

514 Other Distributive Expense - This activity should be charged with expenditures other than fringe benefits that cannot properly be charged to another specific activity at the time the costs are incurred.

Items which should be charged to this activity are:

## ACTIVITY EXPLANATIONS

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT NAME</u>
705	Engineering costs not chargeable to a specific project.
732	Traffic Control Supplies (Includes only costs not properly chargeable to a specific project or road. Examples are: (a) costs of barricades, flare pots, construction signs, etc., that are moved from job to job; and (b) sign shop equipment cost or depreciation expense.)
734	Safety Supply Expenditures
790	Small Road Tools
791	Road Materials Inventory Adjustment
882	Liability Insurance
810	Education (Includes only costs not chargeable to administration or another specific activity.)
853	Weather Service - County Share
957	Gravel Pit Inspections

Expenditures charged to the Distributive Expense - Other activity must be distributed to various other activities at year end, based on cost of operations, in accordance with the instructions for Schedule IV of the Supporting Schedules for the Act 51 Annual Financial Report.

Note: Cost of operations for each construction, heavy maintenance and maintenance activity includes all Activity costs including the fringe benefit (Per Schedule III)

- 515 Administration - This activity is found in the County Road Fund. Its use is mandatory. Only expenditures actually administrative in relation to the entire county road department shall be charged to this activity. Salaries, wages, and travel expenses of the commission members and office personnel, along with their respective costs for fringe benefits should be debited to this activity. This activity will also be charged with all office expenses such as office supplies, office telephone, postage, advertising, association services, depreciation on office equipment and other administrative expenses not chargeable to a project or activity.
- 516 Engineering - This activity is found in the County Road Fund. Its use is optional. It may reflect all engineering salaries, supplies, equipment, and other engineering expenses not chargeable to another project or activity. If this activity is not used, these expenses can be charged to activity 514 - Distributive Expense Other.

## ACTIVITY EXPLANATIONS

- 517 State Trunkline Maintenance - This activity is found in the County Road Fund. Its use is mandatory by any county having a state maintenance contract with the Michigan Department of Transportation. It reflects all salaries and wages, supplies, materials, equipment rental and other expenses applicable to the maintenance of the state trunkline. Counties are reimbursed by the state for state trunkline maintenance expenditures.
- The Michigan Department of Transportation requires that all state maintenance billings be computer generated and submitted to them either by diskette or modem. This also applies to State Trunkline Non-Maintenance activities.
- 518 State Trunkline Non-Maintenance - This activity is used to account for services performed and materials furnished to the Michigan Department of Transportation which are not a part of the contractual services for trunkline maintenance.
- 519 Maintenance Services for Other Units - This activity is found in the County Road Fund. Its use is mandatory by any local unit performing maintenance service for other units of government. It reflects all salaries and wages, materials, equipment rental and other expenses involving maintenance services provided for other units of government.
- 520 Driveway Snowplowing (Upper Peninsula ONLY) - This activity is used in the County Road Fund of counties in the Upper Peninsula to account for costs of plowing private driveways, pursuant to [MCL 247.361](#).
- 521 Non-Road Related Projects - This activity is used to record projects which are nonroad related.
- 970 Capital Outlay - Control - This activity should reflect the total cost of all fixed assets purchased during the year. Total cost should be the gross purchase cost before any trade-in allowance credit or cash discount credit, and should include labor, materials, etc., for any alterations and/or additions made in preparing the equipment for road commission use or operation. In order that depreciation schedules may be properly prepared, it is desirable that alterations and/or additions requirements be determined and made immediately, or within 30 days of purchase. However, if such alterations and/or additions are made after the 30-day period, they must still be capitalized and depreciation adjusted accordingly.

## ACTIVITY EXPLANATIONS

The gross cost of each fixed asset purchased for cash should be debited to the appropriate capital outlay account #970 - 989 within this capital outlay directly from the cash disbursements journal. Revenue account credits for cash purchase discounts (Account #691) and trade-in allowances (Account #688) should also be credited from the cash disbursements journal.

To illustrate, let us assume a cash purchase of a piece of road equipment with a gross cost of \$8,000, trade-in allowance of \$1,000 and a cash discount for prompt payment of \$140. Entries in the cash disbursements journal would be:

<u>Activity/Account Number</u>	<u>Activity/Account Name</u>	<u>Debit</u>	<u>Credit</u>
900/976	Capital Outlay/Road Equipment	\$8,000	
688	Trade-In Allowance		\$1,000
691	Purchase Discounts		140
001	Cash		6,860

971-989 Capital Outlay - Detail - These activities may be assigned at the option of the road commission to separately account for capital outlay as land, building and improvements, road equipment, office furniture and fixtures, etc. Individual subaccounts are suggested for Account #971 - 989.

990 Debt Service - Control - This activity is found in the County Road Fund and Debt Service Fund. Its use is mandatory by any road commission having general obligation debt, whether long-term or short-term, whether bonded debt or otherwise. It reflects such payments as debt principal, interest on debt, paying agent fees, bond coupon fees, etc.

991- Debt Service - Detail - (991-Principal, 995-Interest and may be pointed off)  
998

999 Transfers (Out) - Control - This activity may be found in the County Road Fund.

Transfers (Out) - Detail - These activity numbers may be assigned by the road commission to account separately for appropriation transfers out.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

### Current Assets (001 - 129)

- 001 Cash - This account is used to record the amount of currency, checks, money orders, and bank drafts on hand or on deposit with the county treasurer.

NOTE: All cash and investment account balances (Account #001 - 017 and #119 - 122) in the county road general ledger must be reconciled monthly with balances in the county general ledger. (The county general ledger may be under the control of the county treasurer, county clerk or county controller.)

This account is:

DEBITED - when cash is received.

CREDITED - when cash is disbursed.

- 002 Cash - Savings - This account is used to record the amount of monies on deposit in savings accounts under the control of the county treasurer.

This account is:

DEBITED - when money is deposited in a savings account.

CREDITED - when money is withdrawn from a savings account.

- 003 Cash - Certificates of Deposit - This account is used to record the amount of certificates of deposit held by the county treasurer.

This account is:

DEBITED - with the cost of certificates of deposit when purchased.

CREDITED - with the original cost of certificates of deposit when cashed.

- 004 Cash - Imprest (Petty) - This account is used to record a sum of money either in the form of currency set aside for the purpose of making change or paying incidental expenses. Expenses that for practical reasons, cannot be paid in the regular manner. At certain intervals the petty cash is replenished by a check drawn on the fund from which the petty cash expenses are payable. The replenishment check must be supported by an itemized voucher for the amount of disbursements made from petty cash. The total of petty cash on hand and/or on deposit plus unreplenished disbursements must always equal the imprest cash account balance.

This account is:

DEBITED - with the amount in which the account is established or by which it is increased.

CREDITED - only when the established account balance is decreased because of a change in the amount of petty cash needed.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 005 Cash - Construction/Repair - This account is used to record the amount of cash restricted for the purpose of construction and/or repairs. It is used for the deposit of bond or note proceeds, interest earned, contributions or other money restricted to this use. A separate depository account may be required by a debt ordinance.

This account is:

DEBITED - upon receipt of money restricted for construction or repair purposes.

CREDITED - upon expenditure.

- 006 Cash - Debt Principal and Interest Payments - This account is used to record the amount of cash segregated for the purpose of making debt principal and interest payments. It is used for the deposit of tax collections, contributions or other money to be used for the payment of debt principal/interest and paying agent fees. A separate depository account may be required by a debt ordinance.

This account is:

DEBITED - upon receipt of money restricted for debt purposes.

CREDITED - upon expenditure.

- 007 Cash - Payroll Bank Account - This account is used to record an amount of cash in the form of a separate bank account used only for making payments for personal services and payroll deductions. Usually a fixed sum is deposited to this bank account in an amount sufficient to meet the requirements of: (1) the bank for carrying the account without service charges; and (2) the road commission for making payments for personal services between regular pay periods.

The principal use of this account is for the deposit of blanket payroll checks against which individual payroll checks and payroll deduction checks will be drawn.

Individual payroll checks drawn on this account between regular payroll periods will be included on the next regular payroll voucher. By this method the fixed sum deposited in the payroll bank account will be replenished each pay period.

This account is:

DEBITED - when money is deposited in the payroll bank account.

CREDITED - when money is disbursed from the payroll bank account.

- 008 Cash - Electronic Banking - This account is used to record the amount of cash deposited in a separate bank account used only for making payments by "Electronic Fund Transfers." The amount deposited is the same as the amount to be transferred out.

The principal use of this account is for deposits of employer and employee FICA tax and employee federal income tax (941 taxes).

## EXPLANATION OF BALANCE SHEET ACCOUNTS

009 - Cash - accounts to be used as needed.  
015

016 Deposits With Fiscal Agent - This account is used to record amounts of deferred compensation plan assets or pension assets on deposit with a fiscal agent. Eligible deferred compensation plans must be established in accordance with Section 457 of the Internal Revenue Code.

This account is:

DEBITED - with amounts of deferred compensation or pension deposited with a fiscal agent and with investment earnings on deposit with the fiscal agent.

CREDITED - with disbursements made by the fiscal agent.

017 Investments in Securities - (Short-Term) - This account is used to record the cost of short-term investments in government bonds, treasury bills, treasury notes and money market certificates. A short-term investment is an investment having a maturity date of 1 year or less. Certificate of deposits should not be recorded in this account. (See Account #003)

This account is:

DEBITED - with the cost of investments purchased.

CREDITED - with the original cost of investments when sold.

018 Receivable Control - (019 - 105) - This account is used to record amounts owed to the road commission from any source. The account may be used separately or as a control account to record amounts due for any or all of the types of receivables provided for in Account #019 - 105.

This account is:

DEBITED - when amounts owed to the local unit are determined but not immediately received.

CREDITED - with amounts received or written off by proper authority.

019 Taxes Receivable Control (020 - 057) - This account is used to record amounts of taxes levied and related charges, which have become due but have not been collected. The account may be used separately or as a control account for Accounts #020 - 057.

This account is:

DEBITED - when the amount of taxes or related charges are determined to be due and payable.

CREDITED - with the amount collected or written off.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 020 Taxes Receivable - Real Property - Current Levy - This account is used to record the portion of the real property taxes levied which have become due but have not been returned to the county treasurer as delinquent.

This account is:

DEBITED - for the amount of the current real property taxes levied on the day they become due and payable.

CREDITED - with the receipt of current real property taxes and with the amount transferred to Account #046 - Taxes Receivable - Delinquent - Real - at the time taxes become delinquent.

- 021 Estimated Uncollectible Current Real Property Taxes - This account may be used to record the amount of the total current real property taxes levied which is estimated to be uncollectible before the taxes become delinquent and are turned over to the county treasurer.

This account is:

DEBITED - at the time the taxes become delinquent.

CREDITED - when the amount that is estimated to be uncollectible is determined.

- 022 Taxes Receivable - Personal Property - Current Levy - This account is used to record the portion of personal property taxes levied which have become due but have not become delinquent. For the current levy, this total may be combined with real taxes and recorded in Account #020.

This account is:

DEBITED - for the amount of the current personal property taxes levied on the day they become due and payable.

CREDITED - with the receipt of current personal property tax and with the amount transferred to Account #028 - Taxes Receivable Delinquent - Personal Property at the time the taxes become delinquent.

- 023 Estimated Uncollectible Current Personal Property Taxes (Credit) - This account may be used to record the amount of the current personal property taxes levied which are estimated to be uncollectible before the taxes become delinquent. For the current levy, this total may be combined with estimated uncollectible real taxes and recorded in Account #021.

This account is:

DEBITED - at the time the taxes become delinquent.

CREDITED - when the amount that is estimated to be uncollectible is determined.



## EXPLANATION OF BALANCE SHEET ACCOUNTS

024 - 025      Open

- 026    Taxes Receivable - Delinquent - Real - This account is used to record the amount of real property taxes remaining unpaid on and after the date they become delinquent (usually March 1). A detailed account by unit must be maintained for each year's levy.

This account is:

DEBITED - with the amount of real property taxes returned delinquent.

CREDITED - with the receipt of delinquent real property taxes and with charge backs to local units.

- 027    Estimated Uncollectible - Delinquent - Real Taxes (Credit) - This account may be used to record the portion of delinquent real property taxes receivable which it is estimated will never be collected. This account should be set up at the same time as the Taxes Receivable Delinquent - Real account is established.

This account is:

DEBITED - with any adjustments or when taxes are canceled.

CREDITED - when the amount of estimated uncollectible delinquent real taxes is determined.

- 028    Taxes Receivable - Delinquent - Personal Property - This account is used to record the amount of personal property taxes remaining unpaid on and after the date they become delinquent (usually March 1). A detailed account must be maintained for each year's levy.

This account is:

DEBITED - with the amount of personal property taxes returned delinquent.

CREDITED - with the receipt of delinquent personal property taxes or when such taxes are written off by order of the circuit court.

- 029    Estimated Uncollectible Delinquent Personal Property Taxes (Credit) - This account may be used to record the portion of delinquent personal property taxes which it is estimated will never be collected. This account should be set up at the same time as the taxes Receivable Delinquent - Personal Property account is established.

This account is:

DEBITED - with any adjustments or when taxes are written off.

CREDITED - when the amount of estimated uncollectible delinquent personal property taxes is determined.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 030 Interest and Penalties Receivable on Taxes - This account is used to record the accrued interest and penalties on taxes receivable.

This account is:

DEBITED - with the amount of interest and penalties that accrues on taxes receivable each month.

CREDITED - with collections of interest and penalties.

- 031 Estimated Uncollectible Interest and Penalties Receivable on Taxes (Credit) - This account may be used to record an estimate of interest and penalties receivable that will never be collected.

This account is:

DEBITED - with any adjustments or when taxes are written off.

CREDITED - when amount of estimated uncollectible interest and penalties are determined.

- 032 Taxes Receivable - Rejected and Reassessed - This account is used to record the taxes levied that have become due but have been returned from the state treasurer as rejected from the list of property for the May tax sale for reasons of improper or insufficient property description or upon the request of the county treasurer for the same reasons. These taxes are then ordered to be included on the following current tax roll by action of the local unit legislative body. These taxes may be spread against individual property owners or upon the taxable property at large.

This account is:

DEBITED - with the amount of taxes returned and approved as rejected taxes.

CREDITED - with the amount of rejected taxes collected or canceled.

033 - 034 OPEN

035 - Other Current Accounts Receivable (use as needed)

038

- 039 Other Taxes Receivable - This account may be used to record the amount receivable from a tax levy for which a specific account has not been provided.

This account is:

DEBITED - with the amount of the tax levy on the day it becomes due and payable.

CREDITED - with amounts of taxes collected.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 040 Accounts Receivable (General - Not Governmental Units) - This account is used to record amounts owed to the road commission which are not provided for elsewhere in this manual. **Detail by individual or organization required.**

This account is:

DEBITED - when amounts owed are determined.

CREDITED - with payments received or with any adjustments or when accounts receivable are written off.

- 041 Estimated Uncollectible Accounts Receivable (Credit) - This account is used to record that portion of accounts receivable which is estimated will never be collected. **Detail by individual or organization required.**

This account is:

DEBITED - with any adjustments or when accounts receivable are written off.

CREDITED - when amounts of estimated uncollectible accounts receivable are determined.

- 042 Unbilled Accounts Receivable - This account is used to record accounts receivable that have been determined but have not been billed. **Detail by individual or organization required.**

This account is:

DEBITED - when amounts due are determined.

CREDITED - with amounts transferred to another receivables account.

- 043 OPEN

- 044 Travel Advances Receivable - This account is used to record cash advances to officials and/or employees of the road commission to cover anticipated expenses while traveling in an official capacity for the road commission. Upon completion of the travel, this account must be reimbursed for the entire amount of the advance. **Detail by individual employee required.**

This account is:

DEBITED - with amounts advanced to officials and/or employees.

CREDITED - with the return of amounts advanced.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 045 Special Assessments Receivable - Current - This account may be used to record the special assessments levied that have become due but have not been returned delinquent. Subsidiary accounts may be established for various types or various years of special assessments. **Detail by districts and individual property owners required.**

This account is:

DEBITED - for the amount of the current special assessment levy on the day it becomes due and payable.

CREDITED - with the collection of current special assessments and when the account balance is transferred to Account #047.

- 046 OPEN

- 047 Special Assessments Receivable - Delinquent - This account is used to record the balance of special assessments remaining unpaid on and after the date on which a penalty is effective. **Detail by districts and individual property owners required**

This account is:

DEBITED - with the balance remaining in Account #045 on the date a penalty for nonpayment is effective.

CREDITED - with the collection of delinquent assessments.

- 048 OPEN

- 049 Special Assessments Receivable - Deferred - This account may be used to record special assessments for which a roll has been prepared and confirmed, but which are not due. **Detail by districts and individual property owners required**

This account is:

DEBITED - with the amount of a special assessment roll that has been prepared and confirmed.

CREDITED - when the special assessment becomes due. This amount should be transferred to Account #045 - Special Assessments Receivable - Current.

- 050 - 055 OPEN

- 056 Interest Receivable - This account is used to record interest earned or accrued but not received as of the end of an accounting period.

This account is:

DEBITED - with the amount of interest earned or accrued.

CREDITED - with payments received.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 057 Local Unit's Share of Assessment Improvement Costs Receivable - This account may be used to record the amount due from a local unit as its share of the cost of an improvement financed by special assessments.

This account is:

DEBITED - with the local unit's share of special assessment project costs.

CREDITED - with amounts collected and with any adjustments.

- 058 Negotiable Receivables Control (059 - 069) - This account is used to record amounts due the road commission on negotiable instruments. This account may be used separately or as a control for Accounts #059 - 069.

This account is:

DEBITED - with current amounts receivable on negotiable instruments.

CREDITED - with payments received.

- 059 OPEN

- 060 Notes Receivable - This account may be used to record the amount due on any legal note that has been accepted by the local unit. **Detail by individual note required.**

This account is:

DEBITED - with the amount of notes purchased or received.

CREDITED - with payments received.

- 061 Loans Receivable - This account may be used to record the current amount due to the road commission on loans that have been made in accordance with statutory provisions. Long-term loans will be recorded in Account #198, Long-Term Advances to Other Funds. **Detail by individual loan required.**

This account is:

DEBITED - when the amount of the loan is approved.

CREDITED - with payments received.

- 062 Lease Receivable (Current) - This account is used to record the amount of minimum rental payment due from a lessee within a year (executory costs should be excluded). Long term portions (over 1 year) are recorded in Account #165, Long-Term Lease Receivable.

This account is:

DEBITED - with the amount of minimum lease payments to be received within a year.

CREDITED - when the minimum lease payment is received.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 063 Contracts Receivable - This account may be used to record the current portion of contracts due to the road commission. Long-term portions (over 1 year) are recorded in Account #197, Long-Term Contracts Receivable. **Detail by individual contract required.**

This account is:

DEBITED - with current amounts due on contracts.

CREDITED - with payments received.

- 064 Land Contracts Receivable - This account may be used to record the current portion of land contracts due to the road commission. Long-term portions (over 1 year) are recorded in Account #197, Long-Term Contracts Receivable.

This account is:

DEBITED - with current amounts due on land contracts.

CREDITED - with payments received.

065 - 069 OPEN

- 070 Other Accounts Receivable Control (071 - 105) - This account is used to record amounts due to the road commission for accounts receivable not provided for in preceding receivable accounts. This account may be used separately or as a control for Accounts #071 - 105.

This account is:

DEBITED - when amounts owed to the road commission are determined but not immediately received.

CREDITED - with amounts received or written off.

- 071 Due From Cities - This account is used to record amounts due from cities. **Detail by individual city required.**

This account is:

DEBITED - with amounts due the road commission from cities.

CREDITED - with payments received.

- 072 Due From Counties - This account is used to record amounts due from other counties. A county road commission would not use this account to reflect amounts due from other funds within the same county - Account #084 would be used for this purpose. **Detail by individual county required.**

This account is:

DEBITED - with amounts due the road commission from counties.

CREDITED - with payments received.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

073 OPEN

074 Due From Road Commissions - This account is used to record amounts due from road commissions. **Detail by individual road commission required.**

This account is:

DEBITED - with amounts due the road commission from other road commissions.

CREDITED - with payments received.

075 OPEN

076 Due From Townships (Except Road Agreements) - This account is used to record amounts due from townships for purposes other than work done on road agreements. Use Account #080, rather than this account, to reflect amounts due from townships on road agreements. **Detail by individual township required**

This account is:

DEBITED - with amounts due the road commission from townships.

CREDITED - with payments received.

077 Due From Villages - This account is used to record amounts due from villages. **Detail by individual village required.**

This account is:

DEBITED - with amounts due the road commission from villages.

CREDITED - with payments received.

078.01 Due From State - State Trunkline Maintenance - This account is used to record amounts due from the State of Michigan for work performed on state trunkline pursuant to a state trunkline maintenance contract with MDOT.

This account is:

DEBITED - with amounts due the road commission from the state.

CREDITED - with payments received.

078.02 Due From State - State Trunkline Non-Maintenance - This account is used to record amounts due from the State of Michigan for services performed and materials furnished to MDOT which are not a part of the trunkline maintenance contract. This account is also used to record amounts of state aid due at fiscal year end.

This account is:

DEBITED - with amounts due the road commission from the state.

CREDITED - with payments received.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 078.03 Due From State - Michigan Transportation Funds (MTF) - This account is used to record amounts due from the State of Michigan for MTF received for the month of November and December or August and September to accrue (to be set up at end of December or September) for check received in January and February or October and November for the year ended December 31<sup>st</sup> or September 30<sup>th</sup>, respectively.

This account is:

DEBITED - with amounts due the road commission from the state.

CREDITED - with payments received.

- 078.04 Due From State - Michigan Transportation Funds (MFT) - Other - This account is used to record amounts due from the State of Michigan for services provided on "force account" contracts with the State of Michigan.

This account is:

DEBITED - with amounts due the road commission from the state.

CREDITED - with payments received.

- 078.05 Due From State - Chemical Storage Facility (Salt Shed) - This account is used to record amounts due from the State of Michigan for services performed and for payments made by the road commission to private contractors for the construction of "chemical storage facilities" as per contract.

This account is:

DEBITED - with amounts due the road commission from the state.

CREDITED - with payments received.

- 079 Due From Federal Government - This account is used to record amounts due from the federal government.

This account is:

DEBITED - with amounts due the road commission from the federal government.

CREDITED - with payments received.

- 080 Due From Townships (Road Agreements) - This account is used by county road commissions to record amounts due from townships for work performed on roads under agreement signed by the township and the road commission. **Detail by individual township required.**

This account is:

DEBITED - with amounts determined to be due on agreements.

CREDITED - with payments received.



## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 081 Due From Other Governmental Entities - This account may be used to record amounts due from other units of government for which an account is not provided for elsewhere in this manual. **Detail by individual governmental entity required.**

This account is:

DEBITED - with amounts due the road commission from other governmental entities.

CREDITED - with payments received.

- 082 OPEN

- 083 Due From Employees - This account may be used to record amounts due from road commission employees for reimbursable goods or services provided to or on behalf of the employees. **Detail by individual employee required.**

This account is:

DEBITED - when amounts due are determined.

CREDITED - with payments received.

- 084 Due From Other Funds - This account is used to record short-term amounts due from other funds within the county. An offsetting liability must be recorded in the fund from which the payment is due.

This account is:

DEBITED - with amounts owed from other funds.

CREDITED - with amounts received from other funds.

- 085 - 087 OPEN

- 088 Service Fees Receivable - This account may be used to record amounts due to the road commission for fees for services for which an account is not provided for elsewhere in this manual.

This account is:

DEBITED - when services are rendered.

CREDITED - with payments received.

- 089 - 105 OPEN

- 106 Inventory Control (107 - 115) - This account is used to record the cost of materials, supplies, and/or surplus properties purchased in one accounting period for use in another accounting period or to reflect supplies and materials held in inventory until charged to a specific job, project, department, etc. This account may be used separately or as a control for Accounts #107 - 115.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

106 This account is:

DEBITED - with the cost of materials, supplies, and/or surplus properties,  
and with adjustments.

CREDITED - with the cost of such items used from inventory and with  
adjustments.

107 - 108 OPEN

109 Inventory - Road Materials - This account is used to record the cost of road materials stockpiled in warehouses, pits or yards which are to be used for construction or maintenance on the county road system.

This account is:

DEBITED - with the cost of producing or purchasing road materials placed in  
inventory and with adjustments.

CREDITED - with the cost of road materials used from inventory and with  
adjustments.

110 Inventory - Equipment Materials and Parts - This account is used to record the cost of materials and parts on hand, which are to be used for the repair, maintenance and operation of equipment.

This account is:

DEBITED - with the cost of materials and parts placed in inventory and  
with adjustments.

CREDITED - with the cost of materials and parts used from inventory and  
with adjustments.

111 - 112 OPEN

113 Inventory - Surplus Property - This account is used to record the cost of land and buildings that are surplus properties to the road commission and are not used in its regular operations.

This account is:

DEBITED - with the cost of land and buildings, which are determined to be  
surplus property.

CREDITED - with the cost of such property when sold or if used in the road  
commission's regular operations.

114 - 118 OPEN

## **EXPLANATION OF BALANCE SHEET ACCOUNTS**

- 119 Investments - Deferred Compensation Plan - This account is used to record the cost of investments purchased in accordance with the provisions of a deferred compensation plan administered by the road commission.

This account is:

DEBITED - with the cost of investments purchased.

CREDITED - with the original cost of investments when sold or otherwise disposed of.

- 120 Investments - This account is used to record the cost of long-term investments such as government bonds, treasury bills, treasury notes, municipal bonds, stocks, mortgages, land purchased for investment purposes, etc. A long-term investment is an investment having a maturity date of more than one year from the date of purchase.

This account is:

DEBITED - with the cost of investments purchased.

CREDITED - with the original cost of investments when sold or otherwise disposed of.

- 123 Prepaid Expenses - This account is used to record charges entered in the accounts of the road commission for benefits or services not yet received. Examples of prepaid expenses are prepaid rent, prepaid interest and unexpired insurance premiums.

This account is:

DEBITED - with prepaid expenses to be charged off in a subsequent accounting period.

CREDITED - as prepaid expenses are charged off to expenditure accounts in the accounting period to which the expenses pertain.

- 124 Engineering and Development Expense Advances - This account may be used to record engineering and development costs incurred for the purpose of determining the feasibility of a project or projects.

This account is:

DEBITED - with the amount of preliminary costs incurred.

CREDITED - with the total costs charged to the project upon project approval or with the total cost charged to an expenditure account if the project is rejected.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 125 Deferred Expense - Federal Aid Projects - This account is used to record money advanced in accordance with federal aid contracts where the work is to be performed by private contractors paid by the State Department of Transportation. Detailed subsidiary records must be kept, either by federal program and project/contract number, or by project/contract number only.

This account is:

DEBITED - with amount billed by State Department of Transportation for federal aid projects.

CREDITED - from State Department of Transportation estimate for federal aid projects.

- 126 Deferred Expense - State Aid Projects - This account is used to record money advanced in accordance with state aid contracts where the work is to be performed by private contractors paid by the State Department of Transportation. Detailed subsidiary records must be kept, either by state program and project/contract number, or by project/contract number only.

This account is:

DEBITED - with amount billed by State Department of Transportation for state aid projects.

CREDITED - from State Department of Transportation estimate for state aid projects.

- 127 Deferred Construction - Awarded Contracts - This account may be used to record the expected cost of a construction project for which a contract has been awarded but not yet billed. This account balance reflects an offsetting debit to the liability recorded in Account #212 - Awarded Contracts Payable Unbilled.

This account is:

DEBITED - with the amount of an awarded but unbilled contract.

CREDITED - with the completed portion of the contract when billed by the contractor.

(The debit to this entry should be to applicable expenditure activities and accounts.)

- 128 Other Deferred Expenses - This account may be used to record costs incurred in one accounting period which pertain to the operations and activities of one or more succeeding periods.

This account is:

DEBITED - with expenses carried forward to a future accounting period.

CREDITED - with amounts charged to expenditure accounts in a subsequent accounting period.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 129 Unamortized Discounts on Bonds Sold by the Road Commission - This account is used to record that portion of the excess of the face value of bonds over the amount received from their sale which remains to be amortized over the remaining life of the bonds.

This account is:

DEBITED - with the total amount of discounts allowed on bonds sold for less than face value.

CREDITED - with equal amounts charged to interest expense over the life of the bonds and with any balance remaining if bonds are redeemed before stated maturity dates.

### Capital Assets (130 - 159)

- 130 Land/Right-of-Way Purchase - This account is used to record the cost of land purchased by the road commission for road purposes and/or actual cost of work-in-kind exchange for acquisition of land or right-of-way for road purposes. If land is acquired by gift or grant, it may be recorded at estimated fair value. Land cost includes legal fees, land surface leveling, debris removal and other costs necessary to place the land in service.

This account is:

DEBITED - with the cost or appraised value of lands acquired.

CREDITED - with the recorded value of any land sold or otherwise disposed of.

- 131 Land Improvements (Nondepreciating) - This account is used to record the actual cost of land improvements from construction and/or reconstruction projects. This work includes excavation, ditching, grading (lane widened portion and/or elevation change only), tree removal, and subgrade preparation of land in preparation for roadway.

This account is:

DEBITED - with the cost of land improvements by year.

CREDITED - with the value of such land improvements when the roadway is abandoned or otherwise disposed of.

- 132 Land Improvements (Depreciating) - This account is used to record the cost of permanent improvements, other than buildings, which add value to the land. Examples are fences, sewers, sidewalks, pavements, retaining walls and landscaping.

This account is:

DEBITED - with the cost or appraised value of land improvements acquired.

CREDITED - with the recorded value of any such assets sold or otherwise disposed of.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 133    Accumulated Depreciation - Land Improvements (Credit) - This account is used to record the accumulation of periodic decreases in the estimated service life of land improvements due to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to land improvements sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to the current accounting period.

- 134    Depletable Assets - This account is used to record the cost or estimated fair value on the date received, if acquired by gift, of natural resources which diminish in value by the removal of their contents such as gravel pits, stone quarries, timber stands, brine wells, gas, and oil wells, etc.

This account is:

DEBITED - with the cost or appraised value of depletable assets acquired.

CREDITED - with the recorded value of such assets sold or otherwise disposed of.

- 135    Accumulated Depletion - Depletable Assets (Credit) - This account is used to record the accumulation of periodic credits made to record the removal of natural resources.

This account is:

DEBITED - with the amount of accumulated depletion applicable to depletable assets sold or otherwise disposed of.

CREDITED - either annually or monthly with the cost of natural resources removed during the accounting period.

- 136    Buildings, Building Additions, and Improvements - This account is used to record the cost or estimated fair value at the date received, if acquired by gift, of permanent structures, additions and improvements. It includes the cost of all fixtures attached to and forming a permanent part of such structures.

This account is:

DEBITED - with the cost or appraised value of such assets acquired.

CREDITED - with the recorded value of such assets sold or otherwise disposed of.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 137 Accumulated Depreciation - Buildings, Additions, and Improvements (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of buildings and improvements.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to building sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

- 138 Equipment - Road - This account is used to record the cost or estimated fair value at the date received, if acquired by gift, of equipment of a more or less permanent nature used in road work such as motor graders, cranes, rollers, etc. If separate accounts are desired for unlicensed and licensed vehicles and equipment, use Account #138 for unlicensed and Account #148 for licensed.

This account is:

DEBITED - with the cost or value of road equipment acquired.

CREDITED - with the recorded value of such equipment sold or otherwise disposed of.

- 139 Accumulated Depreciation - Road Equipment - Unlicensed (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of unlicensed road equipment.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

- 140 Equipment - Shop - This account is used to record the cost or estimated fair value at date received, if acquired by gift, of machinery and equipment of a more or less permanent nature used in a road commission repair and maintenance shop.

This account is:

DEBITED - with the cost or value of shop equipment acquired.

CREDITED - with the recorded value of such equipment sold or otherwise disposed of.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 141    Accumulated Depreciation - Shop Equipment (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of shop machinery and equipment.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

- 142    Equipment - Engineering - This account is used to record the cost or estimated fair value at date received, if acquired by gift, of equipment of a more or less permanent nature used in the engineering department.

This account is:

DEBITED - with the cost or value of engineering equipment acquired.

CREDITED - with the recorded value of such equipment sold or otherwise disposed of.

- 143    Accumulated Depreciation - Engineering Equipment (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of engineering equipment.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

- 144    Equipment - Yard and Storage - This account is used to record the cost or estimated fair value at date received, if acquired by gift, of equipment of a more or less permanent nature used for yard or storage purposes such as gasoline pumps and meters, fuel storage tanks, etc.

This account is:

DEBITED - with the cost or value of yard and storage equipment acquired.

CREDITED - with the recorded value of such equipment sold or otherwise disposed of.

- 145    Accumulated Depreciation - Yard and Storage Equipment (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of yard and storage equipment.



## EXPLANATION OF BALANCE SHEET ACCOUNTS

145 This account is:

DEBITED - with the amount of accumulated depreciation applicable to such equipment sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

146 Office Equipment and Furniture - This account is used to record the cost or estimated fair value at date received, if acquired by gift, of office equipment and furniture of a more or less permanent nature.

This account is:

DEBITED - with the cost or value of office equipment and furniture acquired.

CREDITED - with the recorded value of such equipment and furniture sold or otherwise disposed of.

147 Accumulated Depreciation - Office Equipment and Furniture (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of office equipment and furniture.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to such equipment and furniture sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

148 Vehicles - This account may be used to record the cost or estimated fair value at date received, if acquired by gift, of all vehicles and equipment that are required to have a license plate such as cars, trucks, etc.

This account is:

DEBITED - with the cost or value of vehicles and equipment acquired.

CREDITED - with the recorded value of such vehicles and equipment sold or otherwise disposed of.

149 Accumulated Depreciation - Vehicles (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated service life of licensed vehicles and equipment.

This account is:

DEBITED - with the amount of accumulated depreciation applicable to such vehicles and equipment sold or otherwise disposed of.

CREDITED - either annually or monthly with the amount of decrease in estimated service life attributable to that year or month.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

150-155                      OPEN

156    Bridges - This account is used to record the actual cost of bridge construction and/or redecking by year and subaccount.

- .01 - Timber
- .02 - Metal
- .03 - Concrete
- .04 - Movable

This account is:

DEBITED - with the cost of bridge construction and/or redecking by subaccount type at the end of each year. NOTE: As federal aid costs are reported for several years, bridge costs are to be recorded by the year the expense is recorded and depreciated over the remaining years of the original depreciation schedule (i.e., concrete bridge open in current year would have costs depreciated over 50 years, expenses recorded in the next year would be depreciated over 49 years, etc.)

CREDITED - with the recorded value of such bridges when removed or otherwise disposed of.

157    Accumulated Depreciation - Bridges (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated life of bridge construction and/or redecking by year and subaccount type.

- .01 - Timber
- .02 - Metal
- .03 - Concrete
- .04 - Movable

This account is:

DEBITED - with the amount of accumulated depreciation applicable to each bridge removed or otherwise disposed of.

CREDITED - with the amount of decrease in the estimated life, by subaccount and year, on an annual basis.

158    Construction Work in Progress - This account is used to record the cost of construction work undertaken, but not yet completed. As a project is completed, its cost is transferred from this account to the applicable fixed asset account.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 158 This account is:  
DEBITED - with costs of a construction project which has been started but not completed at year end.  
CREDITED - with the balance of this account upon completion of the project.
- 159 Roads - This account is used to record the actual cost of road construction and/or reconstruction by year and subaccount type.

.01 - Seal Coat  
.02 - Gravel  
.03 - Asphalt  
.04 - Concrete

This account is:  
DEBITED - with the cost of road construction and/or reconstruction by subaccount type at the end of each year.  
CREDITED - with the original cost reported at the termination of the depreciation schedule allocation per subaccount and year (i.e., seal coat costs recorded in current year would be removed after 5 years as fully depreciated, etc.)

- 160 Accumulated Depreciation - Roads (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated life of road construction and/or reconstruction by year and subaccount type.

.01 - Seal Coat  
.02 - Gravel  
.03 - Asphalt  
.04 - Concrete

This account is:  
DEBITED - with the amount of accumulated depreciation applicable to each subaccount at the termination of the depreciation schedule allocation per subaccount and year.  
CREDITED - with the amount of decrease in the estimated life, by subaccount and year, on an annual basis.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 161    Traffic Signals - This account is used to record the cost of traffic signals installed.

    This account is:

        DEBITED - with the original cost of installation of the signal.

        CREDITED - with the recorded value of such signal removed or otherwise disposed of.

- 162    Accumulated Depreciation - Traffic Signal (Credit) - This account is used to record the accumulation of periodic credits made to record the expiration of the estimated life of traffic signals.

    This account is:

        DEBITED - with the amount of accumulated depreciation applicable to each traffic signal on an annual basis.

        CREDITED - with the amount of decrease in the estimated life on an annual basis.

### Other Debits (163 - 199)

163 - 164    OPEN

- 165    Long-Term Lease Receivable - This account should be used to record receivables created pursuant to a capital lease. The amount recorded should be the minimum long-term rental payment due from the lessee over the life of the contract (excluding executory costs). Current portions are recorded in Account #062, Lease Receivable (Current). Long-term receivable should be offset by deferred revenue.

    This account is:

        DEBITED - with amounts due on long-term leases.

        CREDITED - when the receivable becomes current.

166 - 174    OPEN

- 175    Encumbrances - This account does not appear on the balance sheet. This account is used in the governmental funds. It is used to record estimated amount of expenditures, which would result if unperformed contracts are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Any outstanding amount at year-end is eliminated by reversing the entry.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

175 This account is:

DEBITED - at month end with the total amount of purchase orders and other commitments made. Corresponding credit is made to the fund balance reserved for encumbrances - Account #365.

CREDITED - at month end with the performance on the purchase orders or commitments. It is credited at year-end to close this account. Corresponding debit is made to the fund balance reserved for encumbrances - Account #365.

176 - 185 OPEN

186 Amount to be Provided for Payment of Debt Principal - This account is used only in the Long-Term Debt Account Group and is used to record the amount which must be provided from Michigan Transportation Fund state aid distributions or other revenues to retire the principal on outstanding debt.

This account is:

DEBITED - with the full principal amount of long-term debt incurred.

CREDITED - with reductions of long-term debt principal.

187 - 194 OPEN

195 Amount to be Provided for Accumulated Vacation and Sick Leave - This account is used only in the Long-Term Debt Account Group and is used to record the dollar value of the employees vested accumulated vacation and sick leave as of the last day of the fiscal year. The amount is determined by multiplying the employees hourly rates by the number of leave hours available to use per employee contracts or agreements if 100% of the leave is vested. If less than 100% is vested, record only the vested portion. Offsetting entries to this account are to be made to Account #343 Accrued Vacation and Sick Leave Payable (Long-Term).

This account is:

DEBITED - at the end of the current fiscal year with the difference between the amount recorded in the account from the previous year and the amount calculated at the end of the current fiscal year if the ending amount is greater.

CREDITED - with the difference if the amount calculated is less.

196 OPEN

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 197 Long-Term Contracts Receivable - This account is used to record that portion of a receivable from a contractual agreement, which will not be realized within a 1 year period. Long-term contract receivable should be offset by deferred revenue.

This account is:

DEBITED - with amounts due on long-term contracts.

CREDITED - when the receivable becomes current. (The debit to this entry is normally to Account #063 or Account #064).

198 - 199 OPEN

### Current Liabilities (200 - 299)

200 OPEN

- 201 Vouchers Payable - This account may be used to record liabilities for materials and services evidenced by vouchers, which have been preaudited and signed by the proper authority approving the liability.

This account is:

DEBITED - upon payment of vouchers.

CREDITED - with amounts approved for payment.

- 202 Accounts Payable - This account is used to record amounts on open account owing to private persons, firms, corporations, the state, or other organizations for goods and services received by the road commission (but not including amounts due to other funds of the county or to other governmental units).

This account is:

DEBITED - upon payment of these accounts.

CREDITED - with amounts of accounts payable incurred.

203 Consignment Payable

204 OPEN

- 205 Judgments Payable - This account may be used to record amounts payable by the road commission as a result of a court decision against the road commission, including condemnation awards and payment for private property taken for public use.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 205    This account is:  
         DEBITED - upon payment of any portion of the judgment, or with any amount  
                      of the judgment ordered set aside by a higher court.  
         CREDITED - with the total amount of any judgment against the road  
                      commission.
- 206    OPEN
- 207    Notes Payable - This account is used to record the portion of tax anticipation notes  
         or other notes to be paid by the road commission during the current year. A note  
         payable is an unconditional written promise signed by the maker (authorized local  
         unit officials) to pay a certain sum of money on demand or at a fixed or determinable  
         time either to the bearer or to the order of a person designated therein. The long-  
         term portion of notes payable should be recorded in Account #307.
- This account is:  
         DEBITED - with payments made on such notes.  
         CREDITED - with the amount of notes to be paid during the current year.
- 208    Lease Payable (Current) - This account may be used to record that portion of the  
         present value of total minimum lease payments which are due to the lessor during  
         the current year. Generally it is the present value of the current payment from a  
         lease payment schedule. All delinquent lease principal payments as of the end of a  
         fiscal period must be recorded in this account.
- This account is:  
         DEBITED - when the lease payment is made only to the extent of the present  
                      value of the minimum lease payments.  
         CREDITED - with the present-value minimum lease payment to be made.
- 209    OPEN
- 210    Contracts Payable - This account is used to record the actual liability on a contract  
         for the amount of work done or services rendered to date for which the contractor  
         has not been compensated. Subaccounts should be used where several contracts are  
         involved. This account does not include the percentage retained in accordance with  
         contract provisions. Retained percentages are recorded in Account #211.
- This account is:  
         DEBITED - with payments of such amounts to contractors.  
         CREDITED - with amounts due contractors for work completed but not  
                      including any retained percentages.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 211 Contracts Payable - Retained Percentage - This account is used to record the amount due on construction contracts which have been completed but on which part of the liability has not been paid pending final inspection or the lapse of a specified time period, or both. The unpaid amount is usually a stated percentage of the contract price.

This account is:

DEBITED - upon payment of such amount to the contractor.

CREDITED - with the amount of retained percentage provided for in the contract.

- 212 Awarded Contracts Payable - Unbilled - This account may be used to formally record the liability incurred by the road commission upon entering into a construction contract even though no portion of the work has been completed.

This account is:

DEBITED - with amounts billed by contractors. (The credit to this entry should be to Account #210 and/or Account #211).

CREDITED - with the total amount of any construction contract officially entered into by the road commission. (The debit to this entry should be to Account #127 - Deferred Construction Awarded Contracts).

- 213 Land Contracts Payable - Current Portion - This account may be used to record the portion of land contracts due and payable during the current fiscal year.

This account is:

DEBITED - with payments made.

CREDITED - with contract amounts payable during the current year.

- 214 Due to Other Funds - This account is used to record short-term amounts due to another fund within the county. An offsetting asset must be recorded in the fund to which the payments are due. (See Account #314 for long-term obligations.)

This account is:

DEBITED - with payments of such amounts.

CREDITED - with amounts due to other funds of the county as debt is incurred.

- 215 - 221 OPEN

- 222 Due to Counties - This account is used to record amounts due to counties. **Subaccounts should be maintained for each separate county.** A county would not use this account to record amounts due to other funds within the same county - (Account #214 would be used for this purpose.) Also, this account would not be used to record amounts owed to county road commissions - (Account #224 would be used for this purpose).



## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 222 This account is:  
DEBITED - with any payments on such debt.  
CREDITED - with amounts owed to any county.
- 223 OPEN
- 224 Due to Road Commissions - This account may be used to record amounts due to another road commission for road construction or repair or for other services rendered to the road commission by the other county road commission.
- This account is:  
DEBITED - with payments of amounts owed.  
CREDITED - with amounts owed to a road commission.
- 225 - 227 OPEN
- 228 Due to State of Michigan - This account is used to record amounts collected for or owed to the State of Michigan by the road commission. **Detailed Subaccounts must be maintained** and the following subaccount numbers should be used:
- .02 - State Income Tax Withheld ([PA 281 of 1967](#))
  - .03 - Municipal Employees' Retirement System (MERS)
  - .18 - Emergency Advance - M.F. Funds
  - .19 - State Highway - Other Services
  - .23 - Sales Tax
  - .27 - Unemployment Compensation
  - .28 - State Highway - Contracted Projects

Please contact the Michigan Department of Treasury, Local Audit and Finance Division, when further subaccounts are needed. Use of the correct subaccount number is important. The Receipts Processing Section uses these account numbers for depositing into applicable state accounts.

- This account is:  
DEBITED - with all payments to the State of Michigan of amounts owed.  
CREDITED - with all amounts owed to the State of Michigan.
- 229 Due to Federal Government - This account is used to record amounts collected for or owed to the Federal Government by the road commission. **Detailed subaccounts must be maintained** and the following subaccount numbers should be used:

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 229 .01 - Federal Income Taxes Withheld  
.02 - FICA (Payroll Deductions - Employer's Share)  
.03 - Medicare (Payroll Deductions - Employer's Share)

Additional subaccount numbers and titles may be assigned by local units as needed.

This account:

DEBITED - with all payments to the Federal Government/IRS amounts owed.

CREDITED - with all amounts owed to the Federal Government/IRS.

- 230 Due to Other Units of Government - This account may be used to record amounts collected for or owed to other units of government. **Subaccounts should be used for each separate unit of government.**

This account is:

DEBITED - with all payments to such units of amounts owed.

CREDITED - with amounts owed to other units of government.

- 231 Payroll Deductions Payable - This account is used to record amounts, other than social security and income taxes, withheld from employees' salaries for payments to other agencies. Examples are health insurance premiums, life insurance premiums, money withheld for credit unions, etc. **Subaccounts should be used for each separate deduction.**

This account is:

DEBITED - with payments to the proper agencies.

CREDITED - with amounts withheld from employees' pay.

- 232 Due to Employees - This account may be used to record amounts due to employees of the road commission. Examples are underpayment of salaries, excessive payroll withholding, etc.

This account is:

DEBITED - with payments to employees of the amounts owed.

CREDITED - with amounts owed by the road commission to its employees.

- 233 Due to Former Employees - This account may be used to record severance pay, vacation pay and other benefits due but not paid when employment was terminated. **Subaccounts should be used to record amounts due to each former employee.**

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 233 This account is:  
DEBITED - with payments to former employees of the amounts owed.  
CREDITED - with amounts due to former employees.
- 234 - 240 OPEN
- 241 Advances From Cities - This account is used to record amounts received from cities based on agreements for specified projects for which work has not yet begun. **Subaccounts should be used to record amounts advanced from each city.**
- This account is:  
DEBITED - as work on such projects progresses. The off setting credit to this entry is to Account #583.01.  
CREDITED - with amounts of advances received.
- 242 - 245 OPEN
- 246 Advances From Townships - This account is used to record amounts received from townships based on agreements for specified projects for which work has not yet begun. **Subaccounts should be used to record amounts advanced by each township.**
- This account is:  
DEBITED - as work on such projects progresses. The off setting credit to this entry is normally to Account #583.04.  
CREDITED - with amounts of advances received.
- 247 Advances From Villages - This account is used to record amounts received from villages based on agreements for specified projects for which work has not yet begun. **Subaccounts should be used to record amounts advanced from each village.**
- This account is:  
DEBITED - as work on such projects progresses. The off setting credit to this entry is to Account #583.05.  
CREDITED - with amounts of advances received.
- 248 OPEN
- 249 Advances From Other Units of Government - This account is used to record amounts received from other units of government based on agreements for specified projects for which work has not yet begun. **Subaccounts should be used to record amounts advanced from each unit.**

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 249 This account is:  
DEBITED - as work on such projects progresses. The offsetting credit to this entry is normally to Account #583.06.  
CREDITED - with amounts of advances received.
- 250 Bonds Payable - Current - This account may be used to record the amount of bonds maturing during the current fiscal year. **Subaccounts should be used to record amounts due for each series.**
- This account is:  
DEBITED - upon payment of such bonds at maturity.  
CREDITED - at the beginning of the year with the face value of bonds maturing during the year. Note: When this account is credited, an equal amount must be deducted from long-term bonds payable.
- 251 Accrued Interest Payable - This account is used to accrue bond interest falling due during the current fiscal year.
- This account is:  
DEBITED - upon payment of such interest when due.  
CREDITED - at the end of the year with the amount of interest expense incurred during the year but not paid as of the end of the year.
- 252 - 254 OPEN
- 255 Customers Deposits - Driveway Snowplowing (Upper Peninsula ONLY) - This account is used to record the liability created when a customer is required to post a deposit before receiving private driveway plowing services.
- This account is:  
DEBITED - with repayments of deposits to customers or when the deposit is recognized as revenue in Account #641  
CREDITED - with customer deposits received.
- 256 OPEN
- 257 Accrued Wages Payable - This account is used to record wages earned by employees but not due until a later date.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 257 This account is:  
DEBITED - upon payment or by reversing entry.  
CREDITED - with amounts of salaries and wages earned but not paid as of the end of an accounting period.
- 258 Accrued Taxes Payable (Includes Payroll Taxes) - This account may be used to record the road commission's liability for taxes incurred but not due until a later date. An example is the road commission's matching portion of social security on an accrued payroll.
- This account is:  
DEBITED - upon payment or by reversing entry  
CREDITED - at the end of the year, or monthly, with amounts of accrued taxes.
- 259 OPEN
- 260 Accrued Vacation Leave Payable - This account is used to record the current year estimated liability for vacation leave.
- This account is:  
DEBITED - at year end for the amount of estimated vacation leave liability.  
CREDITED - at the beginning of the year for the amount of estimated current year vacation leave liability.
- 261 Accrued Sick Leave Payable - This account is used to record the current year estimated liability for sick leave.
- This account is:  
DEBITED - at year end for the amount of estimated sick leave liability.  
CREDITED - at the beginning of the year for the amount of estimated current year sick leave liability.
- 262 - 263 OPEN
- 264 Other Accrued Liabilities - This account may be used to record accrued liabilities for which no other account has been provided.
- This account is:  
DEBITED - upon payment of the liabilities or by reversing entry.  
CREDITED - at the end of the year, or monthly, with amounts of other accrued liabilities.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

265 - 267      OPEN

268    Escheatable Money - This account is used to record unclaimed money in the possession of the road commission such as outstanding or unclaimed payroll checks and other checks, other unclaimed trust and agency money, etc. Unclaimed property is considered to be abandoned if it remains unclaimed by the owner for more than one year after becoming payable or distributable. This money must be paid over to the Unclaimed Property Division of the Michigan Department of Treasury on or before November 1<sup>st</sup> of each year for the 12 month period ending on the immediately preceding June 30th.

This account is:

DEBITED - with any amounts claimed by and paid to rightful owners and with any amounts paid (escheated) to the state.

CREDITED - with all amounts determined to be escheatable.

269 - 275      OPEN

276    Receipts Refundable - This account is used to record amounts to be returned to persons or firms which have made overpayments or duplicate payments to the road commission.

This account is:

DEBITED - upon return of the overpayments.

CREDITED - with amounts of overpayments or duplicate payments received, as described above.

277 - 282      OPEN

283    Performance Deposits Payable - This account is used to record money deposited with the road commission by contractors or other firms or individuals to guarantee the performance of a certain act or acts. **Detail by each depositor.**

This account is:

DEBITED - with the return or other authorized use of such deposits.

CREDITED - with the receipt of deposits described above.

284 - 285      OPEN

286    Due to Fiscal Agent - This account may be used to record amounts due to fiscal agents, such as customer banks for servicing the road commission's maturing debt principal and interest payments.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

286 This account is:

DEBITED - with payments to such fiscal agents.

CREDITED - with amounts due but not paid to fiscal agents.

287 - 288 OPEN

289 Unamortized Premiums on Bonds Sold - This account is used to record the excess of proceeds received from the sale of bonds over and above their par value and which remains to be amortized over the remaining life of such bonds. (Do not include accrued interest to the date of sale.)

This account is:

DEBITED - with equal amounts credited to Account #995 - Interest Expense over the life of the bonds and with any balance remaining if bonds are redeemed before stated maturity dates.

CREDITED - upon receipt of the bond premiums described above.

290 - 298 OPEN

299 Other Current Liabilities - This account may be used to record those current liabilities for which a specific current liability account is not provided.

This account is:

DEBITED - upon payment of the liability.

CREDITED - upon incurrence of the liability.

### Long-Term Liabilities (300 - 334)

300 Bonds Payable - This account is used to record the face value of all long-term bonds, which are issued and unpaid. Note: Bonds maturing during the current fiscal year may be recorded in Account #250 - Bonds Payable (Current). **Subaccounts must be maintained showing account activity for each bond issue.**

This account is:

DEBITED - with amounts of bonds retired or transferred to Account #250.

CREDITED - with the face amount of bonds issued.

301 - 303 OPEN

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 304    Lease Payable (Non-Current) - This account is used to record present value of the total minimum lease payments to be made during the term of a capital lease due after a year or more. Present value is the cash purchase price or principal attributable to the leased asset. Note: Present value of lease payments due during the current fiscal year may be recorded in Account #208 - Lease Payable (Current). All delinquent lease principal payments as of the end of a fiscal period must be recorded in Account #208. **Subaccounts must be maintained showing account activity for each capital lease agreement.**

This account is:

DEBITED - when lease payments are made or with amounts transferred to Account #208.

CREDITED - with the total present value amount of long-term lease payments.

305 - 306    OPEN

- 307    Notes Payable - This account is used to record all notes of a long-term nature (over 1 year) owed by the road commission. Note: The current portion of notes payable may be recorded in Account #207. **Detail for each issue of notes is required.**

This account is:

DEBITED - upon payment of such notes and with amounts transferred to Account #207.

CREDITED - with the face amount of long-term notes.

308 - 309    OPEN

- 310    Contracts Payable (Long-Term) - This account is used to record that portion of contracts payable falling due in years subsequent to the current fiscal year.

Note: The current portion of contracts payable may be recorded in Account #210.  
**Detail for each contract is required.**

This account is:

DEBITED - with contractual payments and with amounts transferred to Account #210.

CREDITED - with the full amount of debt incurred through a long-term contract.

311 - 313    OPEN

- 314    Advances From Other Funds - This account is used to record amounts owed to other funds of the same county where such amounts are payable in years subsequent to the current year. Examples are long-term loans, advances for services to be performed in the future, and similar items.



## EXPLANATION OF BALANCE SHEET ACCOUNTS

314 This account is:

DEBITED - with all payments or other redemptions of this long-term debt.

CREDITED - upon the incurrence of a long-term obligation to another fund.

315 - 327 OPEN

328 Advances From State - This account may be used as a control account to record amounts owed by the road commission to the State of Michigan where such amounts are payable subsequent to the current year. **Detailed subaccounts must be maintained** and the following subaccount numbers should be used:

.01 - State Trunkline Equipment Purchase Advance

.02 - State Trunkline Maintenance Advance

.03 - Emergency Advance - Transportation Funds

Please contact the Michigan Department of Treasury, Local Audit and Finance Division when further subaccounts are needed.

This account is:

DEBITED - with any subsequent decreases authorized by the state and with any repayment to the state.

CREDITED - with the amount of advances received and with any subsequent increases.

329 Advances From Federal Government - This account may be used to record amounts owed by the road commission to the Federal Government where such amounts are payable subsequent to the current year.

This account is:

DEBITED - with payment or other redemption of the debt.

CREDITED - with the amount of long-term debt incurred.

330 - 332 OPEN

333 Advances - Special Assessment Districts - This account may be used to record proceeds received from bond issues to finance primary and local road construction and improvements in special assessment districts; and advances or prepayments received from individuals and local units in these districts to finance this work. **Subsidiary accounts must be maintained for this account.**

This account is:

DEBITED - as work on the district project progresses with amounts credited to revenue Account #672 - Special Assessments.

CREDITED - with amounts of bond proceeds and advances received.

## EXPLANATION OF BALANCE SHEET ACCOUNTS

334 OPEN

### Other Credits (335 - 344)

335 - 338 OPEN

339 Deferred Revenues - This account may be used to record amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. It can be pointed off for deferred special assessments, taxes and other revenues, such as forest road funds.

This account is:

DEBITED - with collections of amounts originally credited to this account or with amounts transferred to revenue accounts.

CREDITED - with the offsetting amount recorded in a receivable account by a road commission which recognizes its revenue only when received or with amounts received in one accounting period which will not be recognized as revenue until a subsequent period.

340 - 342 OPEN

343 Accrued Vacation and Sick Leave Payable (Long-Term) - This account is used only in the Long-Term Debt Account Group and is used to record the dollar value of the employees vested accumulated vacation and sick leave as of the last day of the fiscal year, less the amount recorded as current year liability in Account #260 - Accrued Vacation Leave Payable and Account #261 - Accrued Sick Leave Payable. The amount is determined by multiplying the employees hourly rates by the number of leave hours that they have available to use, per employee contracts or agreements, if 100% of leave is vested. If less than 100% is vested, record only the vested portion. Offsetting entries to this account are to be made to Account #195 - Amount to be Provided for Accumulated Vacation and Sick Leave.

This account is:

DEBITED - with the difference if the amount calculated at year-end is less.

CREDITED - at the end of the current fiscal year with the difference between the amount recorded in the account from the previous year and the amount calculated at the end of the current fiscal year if the ending amount is greater.

344 OPEN

## EXPLANATION OF BALANCE SHEET ACCOUNTS

### Fund Equity Section (345 - 399)

345 - 364      OPEN

### Fund Balance - Reserves (365 - 389)

- 365    Fund Balance Reserved for Encumbrances - This account is normally used in governmental funds. A portion of the fund balance is segregated for expenditures contingent upon vendor performance.

This account is:

DEBITED - at the end of every month to cancel encumbrances upon performance on the purchase orders and commitments. Any outstanding amount at year end is debited, prior to reserving the fund balance, to close out Encumbrances Account #175.

CREDITED - every month end with the amount of purchase orders and commitments made during the month. Corresponding debit is made to Encumbrances Account #175. Account #365 is also credited at year end to adjust the actual fund balance to indicate the portion segregated for expenditures upon vendor performance. The corresponding debit is made to Unreserved Fund Balance - Account #390.

Fund Balance Reserved For Encumbrances account should show up on the year end balance sheet where appropriations do not lapse at the year end, or if they do, the road commission intends to honor them.

366 - 367      OPEN

- 368    Fund Balance Reserved for Inventory of Supplies - This account is used to segregate a portion of fund balance to indicate that, using the purchase method, inventories of supplies do not represent "available spendable resources" even though they are a component of net current assets. The balance in this account is usually based on the average amount of inventory carried each year.

This account is:

DEBITED - with authorized reductions of the amount reserved.

CREDITED - with the amount of fund balance determined to be tied up in inventory.

369 - 375      OPEN

## **EXPLANATION OF BALANCE SHEET ACCOUNTS**

- 376 Fund Balance Reserved for Retirement System - This account is used to record the amount of accumulated contributions made by the employer on behalf of employees plus interest earnings credited in accordance with applicable legal provisions.

This account is:

DEBITED - upon withdrawals of employee contributions and/or investment losses and administrative fees.

CREDITED - with the payment of retirement contributions and/or interest earnings.

377 - 383 OPEN

- 384 Other Reserves - This account may be used to record reserves for which a specific reserve account is not provided for elsewhere in this manual.

This account is:

DEBITED - with any reductions in such reserves.

CREDITED - with amounts to be reserved.

- 385 Fund Balance Reserved for Self-Insurance - This account may be used to record amounts which are "earmarked" for a road commission's self-insurance program.

This account is:

DEBITED - when reserves are used for self-insurance costs.

CREDITED - with amounts reserved for self-insurance purposes.

- 386 Fund Balance Reserved for Deferred Compensation - This account is used to record the amount of accumulated contributions made by the employee for deferred compensation plus interest earnings credited in accordance with applicable legal provisions.

This account is:

DEBITED - upon withdrawals of employee contributions and/or investment losses and administrative fees.

CREDITED - with the payment of employee contributions and/or interest earnings.

387 - 388 OPEN

## EXPLANATION OF BALANCE SHEET ACCOUNTS

- 389 Fund Balance Reserved for Long-Term Federal Contracts Receivable - This account is used to record the long-term contracts receivable, where the revenue is earned but is not expected to be received within one year.

This account is:

DEBITED - when current portion is recorded or upon payment received.

CREDITED - when the long-term contract receivable is incurred. The revenue is earned, but payment will not be paid within one year. Current portion is recorded as a current receivable.

### Unreserved Fund Balance (390 - 399)

- 390 Fund Balance - This account is used to record the fund equity of the County Road Fund. In most instances, this account reflects the excess of a fund's assets over its liabilities and reserves and such excess is not restricted or segregated for other purposes.

To conform with requirements of PA 51 of 1951, as amended, ([MCL 247.651 through 247.674](#)), **subsidiary accounts are necessary** in the County Road Fund to present the unexpended balances of Act 51 monies. The following subaccount numbers should be used:

.01 - Primary Road Funds

.02 - Local Road Funds

.03 - County Road Commission Funds

This account is:

DEBITED - at the end of the year with any excess of expenditures over revenues as such accounts are closed to this account.

CREDITED - at the end of the year with any excess of revenues over expenditures as such accounts are closed out to this account.

- 391 - 392     OPEN

- 393 Fund Balance - Designated - This account is used to record a segregation of a portion of Fund Balance (Account #390). The amount recorded will be the amount for which the governing body has made tentative plans to use in a future period. The designations reflect tentative plans. These plans are subject to change.

## **EXPLANATION OF BALANCE SHEET ACCOUNTS**

393 This account is:

DEBITED - with the amount set aside for the designed plan when the plan is finalized. The fund balance is then credited for the same amount.

CREDITED - with the amount of fund balance designated for future use. The fund balance account is debited.

394 - 399 OPEN

## **EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS**

Revenues represent net increases in governmental fund type current assets from other than expenditure refunds, operating transfers-in and proceeds from the sale of bonds. Revenue is recognized when it becomes both measurable and available to finance expenditures of the fiscal period. Revenue Accounts #400 - 699 are included in this category.

It is recommended that the road commission assign subaccount numbers to the various types of revenue received. The account numbers must be assigned by source as outlined in the revenue account number index. For budgetary purposes revenue must be budgeted by source. The source groups are summarized as follows:

<u>Account Numbers</u>	<u>Source Title</u>
401-449	Taxes
450-500	Licenses and Permits
501-538	Federal Grants
539-579	State Grants
580-599	Contributions From Local Units
600-654	Charges for Services
655-663	Fines and Forfeits
664-670	Interest and Rents
671-694	Other Revenue
695-699	Other Financing Sources

- 400 Revenue Control - This is a mandatory control account, which must appear in the general ledger of each fund of the road commission to which revenues are credited. Its balance must at all times equal the combined totals of revenue Accounts #401 - 699. The account appears on balance sheets prepared during a fiscal period. However, it does not appear on balance sheets prepared as of the close of a fiscal period since it has then been closed out to fund balance.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with total revenues received or accrued by a fund.

- 401 Taxes Control - This is a mandatory account for use as a control account for various tax revenues. Its balance must at all times equal the combined totals of revenue Accounts #402 - 449. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with total tax revenues applicable to Accounts #402 - 449.

## **EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS**

402-449 Some road commissions will use more than the control account for taxes. It is recommended that detail accounts be maintained. When detail accounts are used the numbers assigned to the column headed "subaccounts" must be used. These numbers are used for compiling data state-wide.

450 Licenses and Permits Control - This is a mandatory account, which is used as a control account for license and permit fees collected. The balance must at all times equal the combined totals of Accounts #451 - 500 when subaccounts are used to designate specific licenses and permits. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all fee revenue from business and nonbusiness licenses and permits.

451-500 When assigning these numbers to licenses and permits, the road commission should try to assign business licenses and permits to Accounts #451 - 475 and nonbusiness to Accounts #476 - 500.

501 Federal Grants Control - This is a mandatory account, which is used as a control account for Federal Grants received by the road commission. The road commission may record all of its grants in this one account or may record them separately if they wish. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #502 - 538. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all federal grant revenue received or accrued.

502-538 When assigning these numbers to various federal grants, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

539 State Grants Control - This is a mandatory account, which is used as a control account for State Grants received by the road commission. The road commission may record all of its grants in this one account or may record them separately if they wish. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #540 - 579. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all state grant revenue received or accrued.



## **EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS**

540-579 When assigning these numbers to various state grants, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

580 Contributions From Local Units Control - This is a mandatory account which is used as a control account for contributions from local units received by the road commission. The road commission may record all of its contributions in this one account or may record them separately if they wish. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #581 - 599. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all local unit contribution revenue received or accrued.

581-599 When assigning these numbers to various contributions from local units, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

600 Charges for Services Control - This is a mandatory account, which is used as a control account for charges for services provided by the road commission. The balance must at all times equal the combined totals of Accounts #601 - 654 when these accounts are used to designate specific charges. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all charges for services provided by the road commission.

601-654 When assigning these account numbers to various charges for services, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

655 Fines and Forfeits Control - This is a mandatory control account. If detailed accounts are used, the balance in this account must at all times equal the combined totals of Accounts #656 - 663. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with the receipt of fines and forfeitures.

656-663 Assign these numbers as needed for parking penalties, forfeitures, etc.

## **EXPLANATION OF REVENUE AND OTHER FINANCING SOURCE ACCOUNTS**

- 664 Interest and Rents Control - This is a mandatory account used to record interest, dividends, rents, and royalties earned or received on investments, certificates of deposits, or rental of surplus property. It does not include interest on delinquent taxes (See Account #445). All interest and rents may be credited to this single account or each type may be accounted for separately by utilizing Accounts #665 - 670. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with interest, dividends, rent, and royalties earned.

- 665-670 When assigning these numbers to various interest and rents, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

- 671 Other Revenue Control - This is a mandatory account used to record all other road commission revenue that cannot be classified in any other account. All "other revenue" may be credited to this account or each type may be accounted for separately by using Accounts #672 - 694. This account is a revenue by source control used for financial statement reporting purposes.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with all other revenue received or accrued.

- 672-694 When assigning these numbers to detailed accounts, use the numbers as listed in the "subaccounts" column in the index.

- 695 Other Financing Sources Control - This is a mandatory account used to record nonrevenue items such as proceeds from loans, leases, sales of bonds or notes, insurance recoveries, "operating transfers in," etc. Accounts #696 - 698 should be used to record the various types separately. Account #699 should be used only for "appropriation transfers in." NOTE: Account #690.01 for Infrastructure Asset Depreciation is debited and credited for actual depreciation expenditure to comply with modified accrual method.

This account is:

DEBITED - with any adjustments and when closing this account to fund balance.

CREDITED - with any amounts received or accrued that are nonrevenue items.

- 699 Transfers In - Control - This activity is found in the County Road Fund and Debt Service Fund. Its use is mandatory. Its purpose is to reflect transfers into (appropriation to) a fund. If individual detail is desired, the road commission may use the following numbers as desired.

Transfers In - Detail - These activity numbers may be assigned by the road commission to account separately for appropriation transfers in.

## EXPLANATION OF EXPENDITURE AND OTHER FINANCING USE ACCOUNTS

Expenditures represent a net decrease in financial resources and are recorded when a related liability is incurred. The mandatory accounts for expenditure classification are by object class, that is, according to the types of items purchased or services obtained. These accounts are personal services, supplies, other services and charges, capital outlay and debt service.

It is strongly recommended that the road commission assign subaccount numbers to each type of expenditure they have.

Subaccount numbers will be assigned in groups as follows:

<u>Account Numbers</u>	<u>Detailed Object Class</u>
702 - 725	Personal Services
727 - 799	Supplies
801 - 969	Other Services and Charges
971 - 989	Capital Outlay
991 - 998	Debit Service
999 -	Operating Transfers (Out)

For budgetary control and preparation, these expenditure accounts will be summarized by activity or department as pointed out previously in the activity section of this manual.

- 700 Expenditure Control - This is a mandatory control account, which must appear in the general ledger of each fund of the road commission. Its balance must at all times equal the combined totals of expenditure Accounts #701 - 999. The account is normally posted monthly from accounts payable and appears on the monthly trial balance. However, it does not appear on balance sheets prepared as of the close of a fiscal period since it has then been closed out to the fund balance.

This account is:

DEBITED - with all expenditures disbursed or accrued by a fund.

CREDITED - with any adjustments and when closing the account to fund balance.

- 701 Personal Services - This is a mandatory control account used to record expenditures for salaries and wages, the road commission's portion of social security, the road commission's retirement contribution, and other employee fringe benefits (health insurance, employee life insurance, etc.). If the road commission desires, it may use Accounts #702 - 725 to designate specific types of personal services in which case Account #701 becomes a control account. Where used as a control account, its balance must at all times equal the combined totals of Accounts #702 - 725.

## **EXPLANATION OF EXPENDITURE AND OTHER FINANCING USE ACCOUNTS**

701 This account is:

DEBITED - with all charges for personal services paid or accrued.

CREDITED - with any adjustments and when closing this account to fund balance.

702-725 When assigning these numbers to various personal services, the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

726 Supplies - This is a mandatory control account used to record all expenditures for office supplies, operating supplies, medical supplies, repair and maintenance supplies, etc. If the road commission desires, it may use Accounts #727 - 799 to designate specific types of supplies in which case Account #726 becomes a control account. Where used as a control account, its balance must at all times equal the combined totals of Accounts #727 - 799.

This account is:

DEBITED - with all expenditures for supplies.

CREDITED - with any adjustments and when closing this account to fund balance.

727-799 When assigning these numbers to various supplies the road commission should assign the numbers as listed in the column headed "subaccounts" in the index.

800 Other Services and Charges - This is a mandatory control account used to record expenditures for such services and charges as professional and contractual services, communications, transportation, printing and publishing, insurance and bonds, public utilities, repairs and maintenance, rentals and other miscellaneous charges. If the road commission desires, it may use Accounts #801 - 969 to designate specific types of services and charges within this category in which case Account #800 becomes a control account. Where used as a control account, its balance must at all times equal the combined totals of accounts #801 - 969.

This account is:

DEBITED - with all expenditures described in the "subaccounts" column of the account index for this category.

CREDITED - with any adjustment and when closing this account to fund balance.

801-969 When assigning these numbers to various other services and charges, the road commission should assign the number as listed in the column headed "subaccounts" in the index.

## **EXPLANATION OF EXPENDITURE AND OTHER FINANCING USE ACCOUNTS**

- 970 Capital Outlay - This is a mandatory control account found in the County Road Fund. It is used to record expenditures by the road commission for the acquisition of fixed assets. Such purchases are also recorded, at cost, in the "General Fixed Assets Account Group" either monthly or at the end of the year. A road commission may record all capital outlay expenditures within this account or may account separately for various types of capital outlay expenditures by utilizing Accounts #971 - 989. If separate accounting is maintained, Account #970 becomes a control account, and its balance must at all times equal the combined totals of Accounts #971 - 989.

This account is:

DEBITED - with all fund expenditures for capital outlay.

CREDITED - with any adjustments and when closing this account to fund balance.

- 971-989 If these accounts are used for additional breakdown of capital outlay, use the numbers as indicated in the chart of accounts index in the column headed "subaccounts."

- 990 Debt Service - This is a mandatory control account, which may be found in the County Road Fund and Act 51 Bond Debt Fund. While all debt service expenditures may be recorded within this single account, it is recommended that this account be used only as a control account and that various types of debt such as principal, interest, paying agent fees, etc. be accounted for separately by utilizing Accounts #991 - 998.

Where used as a control account, the balance in Account #990 must at all times equal the combined totals of Accounts #991 - 998.

This account is:

DEBITED - with all debt payments of the particular fund.

CREDITED - with any adjustments and when closing this account to fund balance.

- 991-998 If these accounts are used for additional breakdown of debt service, use the numbers as indicated in the column headed "subaccounts."

- 999 Operating Transfers (Out) - This account is used to record nonexpenditure items such as the return of an appropriation to the county general fund.

This account is:

DEBITED - with any amounts transferred to other county funds.

CREDITED - when closing the account to fund balance.

## UNIFORM ACCOUNTING PROCEDURES

### RECEIVABLES

Accounts #018 - 105 are provided to account for all the receivables pertinent to road commissions.

In addition to the account explanations presented in this manual, we present the following supplemental information:

#### Account #040 - Accounts Receivable (General - Non-Governmental Units)

There is no statutory authority for sales of materials or services to individuals or private organizations. However, we recognize that exceptional conditions exist, in a few rural counties, where the county road commission is the only available supplier of certain services and materials. These unavoidable sales of certain services and materials should be by cash and cash equivalents only. **No credit shall be extended to individuals or private organizations.**

All such transactions with individuals and private organizations shall be handled through this account which includes the respective sales tax. The account is debited with all cash disbursements and journal entries for equipment rental, materials, labor, or parts involved in contracts for services or materials, which do not represent expenses or responsibilities of the county road system. Payments on these accounts are credited directly from the cash receipts journal which includes the respective sales tax.

### SPECIAL ASSESSMENT DISTRICTS

Account #045, #047, and #049 are provided to account for all special assessment receivables, and Account #333 is provided for special assessment district advances. Account explanations are provided in this manual for these accounts.

The following special assessment accounting procedures are also applicable:

#### Deferred Revenue - Special Assessment Districts

In many instances, special assessments are levied over a period of more than one year. For that reason, the entire amount should not be considered as revenue in the first year.

All costs of the project should be charged directly to either Activity #456 - Primary Road - Special Assessment District Construction or Activity #486 - Local Road - Special Assessment District Construction. At the time of completion of the project, the following entry should be made:

DEBITED - Account #045 - Special Assessment Receivable (Current)

CREDITED - Account #672 - Special Assessments

## **UNIFORM ACCOUNTING PROCEDURES**

### **SPECIAL ASSESSMENT DISTRICTS (Continued)**

The unlevied portion of the assessments should be recorded as follows:

DEBITED - Account #049 - Special Assessments Receivable-Deferred

CREDITED - Account #339 - Deferred Revenues

Collections of current special assessments should be recorded as follows:

DEBITED - Cash Account

CREDITED - Account #045 - Special Assessments Receivable (Current)

On the date a penalty for nonpayment is effective, the following journal entry should be made:

DEBITED - Account #047 - Special Assessments Receivable-Delinquent

CREDITED - Account #045 - Special Assessments Receivable (Current)

Collections of delinquent special assessments should be recorded as follows:

DEBITED - Cash Account

CREDITED - Account #047 - Special Assessments Receivable-Delinquent

To reclassify special assessments receivable due within the current year, a journal entry will be made as follows:

DEBITED - Account #045 - Special Assessments Receivable-Current

DEBITED - Account #339 - Deferred Revenues

CREDITED - Account #672 - Special Assessments

CREDITED - Account #049 - Special Assessments Receivable-Deferred

### **Interest and Penalties on Special Assessments**

Interest and penalties on special assessments should be recorded as follows at the time they are received:

DEBITED - Cash Account

CREDITED - Account #665 - Interest Earned

Interest and penalties on special assessments should be credited directly to Interest Earned (Account #665) at the time received.

## **UNIFORM ACCOUNTING PROCEDURES**

### **INVENTORIES**

#### **Account #109 - Inventory-Road Materials**

This account should be charged with the purchase price and costs of preparation of gravel, stone, aggregate, tar, sand, and other road materials stockpiled in warehouses or yards. The cost of preparation should include labor, equipment rental, and such distributive expenses as are applicable. The cost should also include the depletion expense on pits which is set up by debiting the stockpile item affected and crediting Account #690 - Depreciation and Depletion Credits. The original purchase price of pits should not be charged to this account since it should have been charged to a depletable asset expenditure account (e.g., Activity #900 - Capital Outlay, Account #987 - Depletable Assets) at the time of purchase.

Materials taken from these stockpiles should be credited to this account in the amount of the actual cost per unit as determined from the purchase price and additional charges as noted above and debited to the road on which they are used or to a receivable account. To determine the unit cost, it will also be necessary to maintain a record of the number of units of any and all additions to the stock piles.

Gravel, stone, aggregate, tar, sand, and other road materials purchased for immediate use and used directly on the roads **without processing** shall be charged to the road on which they are used from the accounts payable.

We recommend that all purchases of materials which must be processed before being used be charged to Account #109 along with all processing costs. Unit costs for processed materials should be determined by dividing the total processing or production cost of each type of material by the quantity of that material processed or produced.

#### **Procedure for Sign Accounting**

We recommend the cost of all new signs purchased and materials for fabricating new signs (blanks, decals, etc.) be charged to Account #109 - Inventory-Road Materials. A unit price must be established for new signs fabricated or signs refinished with new materials. The unit price for fabricated or refinished signs can be established by a work order charged to Account #109 or by some other suitable method within Account #109.

Cost of erecting including labor, equipment rental, signs and material used from Account #109 shall be charged to the project or road. Signs Account #768 shall be opened in the Distributive Expense - Other, Activity #514. The following may be charged to this account:

Labor and materials for minor repair and refinishing.



## **UNIFORM ACCOUNTING PROCEDURES**

### **INVENTORIES (Continued)**

Cost of barricades, flare pots, construction signs, etc., that are moved from job to job.

Sign shop equipment cost and depreciation expense.

The distribution of expenses accumulated within this sign account shall be made in the same manner as other distributive road costs.

### **Procedures for Production or Fabrication of Road Materials and Other Items**

We recommend that all costs for processing or producing road materials and fabricating new signs, traffic control devices, etc., be charged to Account #109.

Any year-end work in process should be recorded on the balance sheet as a part of the Account #109.

### **Account #110 - Inventory--Equipment Materials and Parts**

Purchase of materials, supplies and parts, purchased for future use, shall be charged to this account.

This account represents the materials and parts inventory of the road commission and extreme care should be taken in the handling of transactions, which affect it. For successful operation, it is essential that all repair parts and materials be stored in enclosed rooms with one employee in charge. Each individual withdrawal made for materials, parts or supplies, should be accomplished by a stores requisition voucher signed and approved by proper personnel and the amount credited to this account and debited to the proper expenditure or receivable account.

### **Fuel**

Each delivery of fuel should be accompanied by a metered delivery ticket. Prior to and after delivery, tank measurements of the fuel in the tank should be made. Employees should sign the delivery ticket at the time of delivery certifying the amount of fuel received. Pump readings should be taken periodically. Quantities, indicated as having been used, should be checked against consumption reports.

## **INVENTORY ACCOUNTING AND CONTROL**

It is recommended that one person be designated with the responsibility supervising the servicing of all the road equipment and for keeping fuel, anti-freeze, and oil consumption reports for each piece of equipment. If you choose to purchase fuel from a commercial vendor, someone should be designated to handle card disbursement and use.

## **UNIFORM ACCOUNTING PROCEDURES**

### **INVENTORY ACCOUNTING AND CONTROL (Continued)**

#### **Withdrawals of Parts and Supplies**

All withdrawal of materials and parts should be by signed requisitions only. Requisitions should be prenumbered and contain the quantity and description of the item or items being withdrawn, the date of withdrawal, and the equipment number for which the parts or materials are being withdrawn. The requisition should be signed by the person receiving the parts or materials from the stock clerk.

#### **Inventory Control**

All material and parts storage facilities should be kept under lock and key. Only the stock clerk or authorized persons, should be allowed to enter the stockroom. One person should be designated as supervisor of all inventory operations.

A perpetual inventory system is essential with proper control and accounting records maintained.

To control the volume of equipment parts on hand, it is recommended that the balance in Account #110 be no more than 50% of the total parts charged to the equipment accounts during the year.

To assist in eliminating the number of obsolete parts in the inventory, excess parts for a particular piece of equipment should be included with the trade-in when advertising for bids for new equipment. Trade-in allowance and excess parts should be separate items on the bid form.

The inventory control should be reconciled to the subsidiary inventory listing (inventory status reports or other detail) on a monthly basis.

#### **Purchase of Materials, Parts and Equipment**

Purchases of materials, parts and equipment should be made only after a purchase order has been issued by the person authorized with this responsibility by the road commission.

In all cases involving the expenditure of a sum greater than \$10,000 for materials, parts, or equipment, purchase orders can be issued only after the road commission has accepted a bid pursuant to advertising for sealed proposals to furnish such materials, parts, or equipment. This is in accordance with [MCL 224.10](#) statutory requirements. The date of formal road commission action on such bid purchases should be indicated on the purchase order. Bids shall also be secured for the purchase of all passenger vehicles and trucks weighing more than 5,000 lbs.

## UNIFORM ACCOUNTING PROCEDURES

### INVENTORY ACCOUNTING AND CONTROL (Continued)

A requisition to purchase is issued by the stock clerk in duplicate. The original is forwarded to the person authorized to issue the purchase order. The copy will be retained by the stock clerk.

The purchase orders should be as complete as possible, including purchase order number, date of purchase order, name and address of vendor, delivery information, discount terms, and an accurate description of the materials, parts, or equipment ordered, the quantity, and price. These purchase orders must be signed by the authorized individual.

The purchase orders should be prepared in triplicate. The original is to be forwarded to the vendor, the triplicate is to be retained by the stock clerk for future reference and for checking the material, parts, or equipment when delivered, and the duplicate copy is to be forwarded to the accounting office.

All incoming parts, materials and equipment should be checked against the purchase orders and shipping or load tickets by the stock clerk. The accounting office should be advised immediately of the parts, materials or equipment delivered by means of a numbered receiving report issued by the stock clerk or by proper notation on the copies of the shipping or load tickets.

We cannot over-emphasize the importance of maintaining proper inventory accounting and control. Most counties now employ a full time stock clerk and maintain a computer generated inventory system. All purchases should be posted to the system when **received**. The physical inventory should be priced from the perpetual inventory system, extended, totaled and checked against the total inventory value as carried on the general ledger.

**Regardless of the method used, it can only be as effective as the physical control maintained over the stock room.**

#### Recommended Physical Inventorying Procedures

All inventoried items should be physically counted and the perpetual inventory records adjusted at least once each year. Any adjustments between the physical inventory count and the general ledger inventory control account shall be offset through either Activity #511, Account #791 for items in Account #110, or Activity #514, Account #791 for items in Account #109. Individual inventory items need to be adjusted to reflect the actual count on physical or cycle inventories.

The following information is intended to provide an outline of the basic procedures necessary to properly conduct a physical inventory and to adjust the accounting records to agree with the adjusted perpetual inventory record totals.

## UNIFORM ACCOUNTING PROCEDURES

### INVENTORY ACCOUNTING AND CONTROL (Continued)

A. Timing the physical inventorying procedures:

Seasonal road materials should be cross-sectioned prior to snowfall and at the end of the appropriate season.

Other stock items should be physically inventoried one or more times a year.

B. Documentation that such a physical inventory was actually performed should be kept on file. This documentation consists of:

A posting of each individual perpetual inventory record of the date on which the stock item was physically inventoried and the actual count initialed by the designated clerk.

Copies of cross-section diagrams and computation, which were used to determine the quantities of stockpiled gravel and other road materials.

A separate listing of inventory overages and shortages, by stock item, should be maintained during the taking of the physical inventory and all significant variances should be thoroughly investigated by both the accounting and stockroom personnel.

C. Summarizing year-end perpetual inventory record balances.

A worksheet summary should be prepared of all perpetual inventory balances as of year-end with separate totals for each subaccount.

D. Accounting department's responsibilities:

Verify the extensions and footings on all inventory worksheet summaries.

Determine that all invoices for materials stocked prior to year-end but not paid until the subsequent year are properly recorded as year-end accounts payable.

Adjust the year end general ledger inventory account balances to the grand total of the worksheet summary of inventory balances in accordance with the procedures outlined in this accounting manual.

E. Stockroom personnel should also be required to report on obsolete, unusable or overstocked items at least once each year.

## **UNIFORM ACCOUNTING PROCEDURES**

### **SURPLUS PROPERTIES**

Road commissions may purchase property for highway right-of-ways, which, after completion of the project, is in excess of the land actually necessary for this purpose. The road commission shall endeavor to sell these excess properties whenever possible. They should be recorded in the road commission's Operating Fund.

#### **Account #113 - Inventory--Surplus Property**

This account is to be used to record the prorated value of all right-of-way purchases determined to be in excess of that required for highway use.

The entire purchase price is charged to the construction expenditure activity/account until such time as these right-of-way costs can be prorated between actual highway use and surplus properties. To properly record the prorated value of these surplus properties, we have established Account #113 - Inventory-Surplus Property.

Since the entire purchase price has been charged to construction, at such time as the prorated value of the surplus property has been determined, a journal entry shall be made as follows:

DEBIT - Account #113 - Inventory-Surplus Property (In the amount of the prorated value of the surplus properties)  
CREDIT - Applicable Construction Activities/Accounts

Determination of surplus properties should be made as soon as possible.

#### **Sale of Surplus Properties**

The postings necessary upon the sale of the surplus properties will vary according to the sale price and terms. If sold for cash, Account #113 - Inventory Surplus Property shall be credited directly from the cash receipts journal in the exact amount received but not exceeding the recorded value of the property. Any amount received in excess of the recorded value shall be credited to Account #693.02 - Gain or Loss on Sale of Surplus Property. If the cash sale price is less than the recorded value, the balance remaining in Account #113 shall be closed into Account #693.02 as a debit.

The sale of surplus properties on a time basis requires an entry crediting Account #113 and debiting applicable receivable account(s), such as Account #064 - Land Contracts Receivable. Any gain or loss on time sales would be handled in the same manner as cash sales.

## **UNIFORM ACCOUNTING PROCEDURES**

### **SURPLUS PROPERTIES (Continued)**

If surplus properties are sold on a time basis, the amount due in the second year and beyond from the sale date should be recorded as a credit to Account #339 - Deferred Revenues, with an offsetting debit to Account #390 - Fund Balance.

### **PREPAID INSURANCE**

Account #123 - Prepaid Expenses is provided to record prepayments of insurance premiums, which represent expenses chargeable to future years operations.

At the end of each year this account will be credited and the appropriate expense accounts debited for that portion of premiums applicable to the current year. For example: 1/3 of a 3 year premium for insurance effective on January 1 would be charged to current year expense.

It will be necessary to use this account only if insurance premiums paid in any one year are for more than one year's coverage. Annual premium payments, made each year on a 5 year policy, need not be considered as prepaid insurance even though the annual payment covers a part of a succeeding year.

In connection with insurance payments and policies, it is advisable to maintain an insurance record of all essential details of road commission insurance. This insurance or record should indicate policy number, company, agent, property insurance, amount of premium paid, date of policy and expiration date, amount of unexpired premium, and a space for explanations or notes.

### **FEDERAL AND STATE AID PROJECTS**

**Note: The following procedures pertain to federal grants, however, the accounting requirements also apply to state aid projects.**

#### **Federal Grants - Accounting Requirements**

Because of Federal Single Audit requirements, federal highway grant revenue must be classified in either of the following accounts:

Account #510 - Federal Grants-Highways (MDOT-Private Contractors) and applicable subaccounts are to be used to account for federal grant revenue where the work is performed by private contractors paid by the Michigan Department of Transportation.

## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

Account #511 - Federal Grants-Highways (Negotiated Contracts) and applicable subaccounts are to be used to record federal grant revenue where the work is performed by the road commission work force or by private contractors paid by the road commission.

Many transitions are being made at the Michigan Department of Transportation regarding federal aid procedures for handling and accounting for federal aid. One of these changes is "Advanced Construction," which require the road commission rather than MDOT to pay the contractor and wait for reimbursement by the federal agency.

Plans are also underway by the Michigan Department of Transportation to require road commissions to seek authorization for federal aid projects from MDOT after which responsibility for advertising, bidding, and contracting with the successful bidder would be that of the road commission.

As MDOT comes up with new procedures and as accounting changes arise, the Michigan Department of Treasury will send updates to the manual as necessary.

#### Projects Performed by Private Contractors

**Subsidiary records must be maintained by project for each federal aid job** including the MDOT job number, federal item number and type of project, whether Federal Surface Transportation Programs (STP), Federal Highway Safety, Federal Highway Critical Bridge, Federal Category C-Urban Congestion, or Federal Category D-Rural Primary funding are received. Obsolete categories such as Federal Aid Secondary and Federal Urban Highway may also still appear on your books from previous projects. Subsidiary records must be reconciled to Accounts: #125 - Deferred Expense-Federal, 228.19 - Due to State and to the revenue control account(s) balance, at a minimum, at the fiscal year end. Every project must have an identifiable subaccount number.

The Michigan Department of Transportation submits **Progress Billings** to the road commission periodically during construction for actual costs incurred to date. Local deposits once required by MDOT are no longer necessary, however, previous projects may show deposits required at the time the project was initiated. Payments of progress billings are also to be debited to Account #125 (for federal contracts) or Account #126 (for state contracts).

## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

During the project construction period, MDOT periodically forwards **Construction Estimates** or **Project Voucher Summaries** to the road commission. Construction estimates or project voucher summaries contain project financial data including the total amount earned or the gross earnings for the contractor. **(These are normally sent to the project engineer and must be obtained from them for accounting purposes.)**

The total amount earned by the contractor should be debited to applicable activity/expenditure accounts. Offsetting credits should be made to Account #125 or #126 for the road commission proportionate share of project costs and to applicable federal grant revenue account(s) as follow:

Federal		State	
510.01	Secondary	547.01	Critical Bridge - Primary
510.02	Urban Highway	547.02	Critical Bridge - Local
510.03	Hazard Elimination Safety	548.02	Category "E" - Primary
510.04	Railroad Safety	548.03	Category "E" - Local
510.05	Critical Bridge	549.02	Category "A" - Primary
510.06	Discretionary	549.03	Category "A" - Local
510.07	ISTEA "D" Enhancement	550.02	Category "C" - Primary
510.071	Surface Transportation Program - Primary	550.03	Category "C" - Local
510.072	Surface Transportation Program - Local	551	TED - "D" - Rural Primary
510.073	STP - Other	552	TED - "F" - Urban Area
510.081	Category "C" - Urban Congestion - Primary		
510.082	Category "C" - Urban Congestion - Local		
510.091	Category "D" - Rural Primary		
510.092	Category "D" - Rural Local		
510.10	Demonstration Funds - Primary		
510.11	Demonstration Funds - Local		
510.13	Congestion Mitigation Grants		
510.14	High Priority Grants		

Project expenditures and revenues must be recorded at least annually at fiscal year end. However, it is suggested that they be recorded as each construction estimate is received, or on a monthly basis.

When the project is completed, MDOT sends the road commission a final accounting statement, which itemizes the total cost of the project, total federal aid earned, total state aid earned, and total local (road commission) share.

If the final accounting includes any expenditures that have not been previously recorded by the road commission, such as expenditures for advertising, MDOT engineering, etc., these must be recorded by an entry similar to that described on the previous page.



## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

If the final accounting indicates the total amount paid through progress billings by the road commission exceeds the local share of the project, MDOT will refund the difference to the road commission. The road commission should receipt this refund as a credit to Account #125 or #126 (for State contracts). The Account #125 (or #126) balance of this project will then be zero. The respective deferred revenue, revenue and/or expenditure accounts may need to be adjusted to match the final accounting.

In instances involving cost overruns, the road commission may receive a final accounting statement from MDOT before it receives the billing from MDOT for the road commission share of the cost overrun. If final project costs are recorded prior to receipt of the MDOT cost overrun bill, the road commission share of the overrun should be credited to Account #228.19 - Due to State of Michigan-State Highway-Other Services. The subsequent payment of the overrun bill should be debited to Account #228.19.

Following is an example of accounting for a federal aid project performed by a private contractor on a primary road: (Assume that the MDOT Job Number for this project is 44841A)

#### EXAMPLE 1

##### Facts per Exhibit 1 of the Contract

##### **COST PARTICIPATION**

<b>Grand Total Estimated Cost</b>	<b>\$ 279,600</b>
<b>Less Federal Funds</b>	<b><u>100,000 *</u></b>
<b>Balance (Requesting Party's Share)</b>	<b><u><u>\$ 379,600</u></u></b>

\* Federal Funds for all safety projects are subject to a maximum level of funding established to be \$100,000.

The contract states that the federal funds are under the Surface Transportation Program.

(Note: There may be more than one funding source so you may have to refer to the contract for the specific type of federal and state aid).

## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

Based on the provisions in exhibit 1 of the contract, we can express the federal and local shares in percentages as follows:

Federal Share	$\frac{100,000.00}{279,600.00} = 36\%$	<b>Maximum of \$100,000</b>
Local Share	$\frac{179,000.00}{279,000.00} = 64\%$	

Construction Estimate or Project Voucher Summary information is as follows:

	<u>Estimate/ Summary #1</u>	<u>Estimate/ Summary #2</u>
Total Amount Earned or Gross Earnings	\$ 264,344.58	\$ 288,450.22
Less Reserve or Retainage	7,300.00	7,211.26
Total Amount Allowed or Net Earnings	257,044.58	281,238.96
Payment Due Contractor or Amount Due	257,044.58	277,598.66

Based on the information provided in the estimate or voucher summary #1 the following entries would be made:

<u>Account Number</u>	<u>Sub- Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	XXXXX	Applicable Expenditure Activity/Account	\$264,344.58	
510.071	XXXXX	STP - Primary Revenue Account (264,344.58 x 36%)		\$ 95,164.05
125	XXXXX	Deferred Expense-Federal Aid Projects (264,344.58 x 64%)		169,180.53

(To record project expenditures on a primary road and federal aid earned on project 44841A, based on the contractor's total amount earned or gross earnings for work performed through 8/30/99 per MDOT construction estimate #1 or project voucher summary 1 dated 9/19/99.)

# UNIFORM ACCOUNTING PROCEDURES

## FEDERAL AND STATE AID PROJECTS (Continued)

**Contract Provisions per Local Progress Billings from MDOT are as follows:**

	<u>Billing #1</u>	<u>Billing #2</u>
Contract Award	\$315,718.11	\$ 315,718.11
Total Estimated Project Cost	315,718.11	315,718.11
Estimated Federal Participation	100,000.00	100,000.00
Estimated Local Participation	<u>\$215,718.11</u>	<u>\$ 215,718.11</u>
Local Contract Cost to Date	\$ 78,448.18	\$ 177,598.66
Local Other Cost to Date	131.62	438.63
Total Local Cost to Date	<u>\$ 78,579.80</u>	<u>\$ 178,037.29</u>
Previously Billed		
Local Current Month Contractor Costs	\$ 78,448.18	\$ 99,150.48
Local Current Month Other Costs	131.62	307.01
Total Local Bill Amount	<u>\$ 78,579.80</u>	<u>\$ 99,457.49</u>

**Based on the information provided on the MDOT Progress Billing #1, the following entries would be made:**

<u>Account Number</u>	<u>Sub-Accounts</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
125.	XXXXXX	Deferred Expense-Federal Aid Projects	\$78,579.80	
001	XXXXXX	Cash		\$78,579.80

(To record the payment to MDOT of Local Progress Billing #1.)

**(Note: Local Progress Billings to the road commission should not exceed estimated Local Participation for each project as specified in the Contract.)**

## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

**Based on the information provided in the estimate or voucher summary #2 the following entries would be made:**

<u>Account Number</u>	<u>Sub-Accounts</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	XXXXXX	Applicable Expenditure Activity/Account (\$288,450.22-\$264,344.58)	\$24,105.64	
510.071	XXXXXX	Applicable Federal Aid Revenue Account (\$24,105.64 x .36%, but limited to the maximum of \$100,000)		\$ 4,835.95
125.	XXXXXX	Deferred Expense-Federal Aid Projects (\$24,105.64 x 64%, plus the difference in federal aid above)		19,269.69

(To record project expenditures and federal aid earned on project 44841A, based on the difference between the prior contractor's total amount earned or gross earnings and current total for work performed through 10/30/99 per MDOT construction estimate #2 or project voucher summary #2 dated 11/12/99. Also monitoring the federal aid to ensure that it does not exceed the \$100,000 ceiling.)

## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

Based on the information provided on the MDOT Progress Billing #2, the following entries would be made:

<u>Account Number</u>	<u>Sub-Accounts</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
125.	XXXXXX	Deferred Expense-Federal Aid Projects	\$99,457.49	
001	XXXXXX	Cash		\$99,457.49

(To record the payment to MDOT of Local Progress Billing #2.)

Note: Account #125.44841 Deferred Expense-Federal Aid Projects still has a credit balance of \$10,412.93 (\$78,579.80 plus \$99,457.49, less \$169,180.53 and less \$19,269.69). If this was the last transaction for the year, the 125-XXXXXX account should be reclassified to Due to State 228.19-XXXXXX.

### Projects Performed by Road Commission Personnel (Negotiated Contracts)

When federal aid project work is performed by the road commission work force in accordance with a contract negotiated between the road commission and MDOT, all project costs must be charged to the applicable activity/expenditure accounts.

Amount billed to MDOT for the federal share should be debited to Account #078.04 - Due from State-Department of Transportation-Other. The offsetting credit should be to the applicable federal grant revenue account or accounts.

Payments received from MDOT should be credited to Account #078.04.

### Other Information Regarding Accounting for Federal and State Aid Projects

Account #125 - Deferred Expense-Federal Aid Projects and Account #125 subsidiary accounts should not have a credit balance. When the road commission's share of a contracted federal aid project exceeds the amount deposited with MDOT, a payable should be recorded in Account #228.19 - Due to State of Michigan.

## UNIFORM ACCOUNTING PROCEDURES

### FEDERAL AND STATE AID PROJECTS (Continued)

Federal and state aid projects need to be accounted for separately as previously stated. Therefore, suggested illustrations are included at the end of this section representing the accounting for two different federal or state aid projects showing how estimates, progress billings, and deposits are recorded.

Estimates are referred to earlier in this section for accounting purposes and are available in the accounting department and/or engineering department at each road commission or at the project engineer's office as received from the Michigan Department of Transportation. Progress billings should be debited to Account #125 or #126 - deferred expense, and must also be recorded on the project subsidiary record at the time of payment to the State of Michigan. Deposits are essentially no longer required, but the possibility exists in certain special situations. Therefore, they must also be a part of the subsidiary record.

Following the project subsidiary record are suggested spreadsheets showing the balancing of Account #125 - Deferred Expense -Federal Aid and Accounts #126 - Deferred Expense- State Aid at the end of the fiscal year are provided. The auditor will find the spreadsheets helpful in reconciling balances shown in these accounts.

Open projects are listed across the top of each illustration. Last year's ending balances are shown along with transfers made for estimates received, deposits for progress billings, and any final accounting to close various projects. Finally, this year's ending balances for each project should equal the Account #125 or Account #126 total balances.

If a project has been finalized during the year, be sure the project balance equals zero. When projects remain on the books after construction is completed, it is suggested that the road commission contact the federal aid section at the Michigan Department of Transportation for an explanation or status of those projects with a recommendation that every attempt be made by MDOT to seek closure as soon as possible.

Federal Aid revenue should **never** exceed project costs.

# UNIFORM ACCOUNTING PROCEDURES

## FEDERAL AND STATE AID PROJECTS (Continued)

MICHIGAN AVE. AT SNOW ROAD 1999 STP 9723(003) FEDERAL ITEM #YY0089 CONTROL SECTION STH 23609 JOB# 44841 ESTIMATE \$279,600						FEDERAL AID STP PROJECT	
		<b>PRIMARY HEAVY MAINT 459.XXXXX</b>		<b>DEFERRED EXPENSE 125.XXXXX      64%</b>		<b>FEDERAL AID 510.071      36%</b>	
<u>Date</u>	<u>Desc</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
9.19.99	EST#1	264,344.58			169,180.53		95,164.05
10.01.99	PROG#1			78,579.80			
11.12.99	EST#2	24,105.64			19,269.69		4,835.95
11.15.99	PROG#2			99,457.49			
<b>Balance 1999</b>		<b>288,450.22</b>			<b>10,412.93</b>		<b>100,000.00</b>
<b>EXAMPLE 1</b>							

BASELINE ROAD BRIDGE MSC23015 B1 OF 23-15-10 JOB# 39929 ESTIMATE 226,700				STATE AID CRITICAL BRIDGE PROJECT			
		<b>LOC HVY MAINT 490-320</b>		<b>DEFERRED EXPENSE 126.39929      5%</b>		<b>STATE CRITICAL BRIDGE 547.02      95%</b>	
<u>Date</u>	<u>Desc</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
7.98	Est#1	46,688.50			(2,334.42)		(44,354.08)
8.98	Est#2	106,404.50			(5,320.22)		(101,084.28)
9.98	Prog#1			6,327.91			
9.98	Prog#2			13,715.54			
9.98	Prog#3			6,373.41			
9.98	Est#3	47,976.80			(2,398.84)		(45,577.96)
<b>BALANCE 1998</b>		<b>201,069.80</b>		<b>26,416.86</b>	<b>(10,053.48)</b>		<b>(191,016.32)</b>
11.99	Est#4	2,561.20			(128.06)		(2,433.14)
<b>BALANCE 1999</b>		<b>203,631.00</b>		<b>26,416.86</b>	<b>(10,181.54)</b>		<b>(193,449.46)</b>
				<b>16,235.32</b>			
<b>EXAMPLE 2</b>							

**BROWN COUNTY ROAD COMMISSION**  
**YEAR 1999**  
**DEFERRED EXPENSE--FEDERAL AID**  
**ACCOUNT 125.00**

	ACCT 125.0	1999 SHAY BLDG JOB 39963	1999 CANAL RD JOB 37980	1998 BUCK BLDG JOB 38669	1998 VERM BLDG JOB 35747	1997 VALLEY BLDG JOB 37029	1996 MT HOPE JOB 35241	1996 MULLIKEN JOB 35242	1996 NARROW LK JOB 35240	1996 ST JOE JOB 35917	1993 MICH AVE JOB 31166	1993 WAV-WILL JOB 30943
<b>BEG BAL 1/1/98</b>	<b>46,459.68</b>	<b>0.00</b>	<b>(16,300.02)</b>	<b>40,474.82</b>	<b>(2,159.91)</b>	<b>7,123.39</b>	<b>(8,291.78)</b>	<b>7,561.66</b>	<b>(6,283.47)</b>	<b>13,506.35</b>	<b>9,190.18</b>	<b>1,638.46</b>
<b>FED AID ADJUST:</b>												
TV#4 11/30/98	(58,828.76)		(58,828.76)									
TV#11 12/31/98	(10,667.65)		(4,845.39)			(5,822.26)						
TV#16 1/31/99	(9,943.69)		(1,475.71)								(8,467.98)	
TV#29 4/30/99	11,071.73						2,894.18	2,135.16	6,042.39			
TV#40 6/30/99	(4,179.94)	(4,179.94)										
TV#44 7/30/99	(7,149.02)	(7,149.02)										
TV#48 8/31/99	28,549.67	(11,965.53)	(20,338.77)	60,853.97								
TV#54 9/30/99	(924.97)	(924.97)										
<b>ADD DEPOSITS:</b>												
BUCK HIGHWAY	21,804.01			21,804.01								
CANAL ROAD	77,760.10		77,760.10									
MICHIGAN AVE	1,679.85										1,679.85	
SHAYTOWN BLDG	44,555.53	44,555.53										
MULLIKEN ROAD 1993 E	(5,156.50)							(5,156.50)				
MT HOPE 1993	5,156.50						5,156.50					
<b>FINAL ACCOUNTING:</b>												
VALLEY HWY BD	(1,301.13)					(1,301.13)						
MT HOPE HWY	241.10						241.10					
MULLIKEN ROAD	(4,540.32)							(4,540.32)				
NARROW LAKE RD	241.08								241.08			
BUCK HWY BLDG	(123,132.80)			(123,132.80)								
<b>END BAL 9/30/99</b>	<b>11,694.47</b>	<b>20,336.07</b>	<b>(24,028.55)</b>	<b>0.00</b>	<b>(2,159.91)</b>	<b>0.00</b>	<b>(0.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>13,506.35</b>	<b>2,402.05</b>	<b>1,638.46</b>



<p style="text-align: center;"><b>YEAR 1999</b>  <b>DEFERRED EXPENSE--STATE AID</b>  <b>ACCOUNT 126.00</b></p>								
	ACCT 126.00	1999 BASE BLDG JOB 39929	1998 JOHN BLDG JOB 39928	1998 MALL DR JOB 38669	1997 LAMIE BLDG JOB 36413	1996 MAHAN BLDG JOB 37488	1994 SPICER BLDG JOB 36781	1991 ISLAND HWY JOB 32736
<b>BEG BAL 1/1/98</b>	<b>99,052.37</b>	<b>16,363.39</b>	<b>14,324.25</b>	<b>1,218.66</b>	<b>6,229.75</b>	<b>32,177.53</b>	<b>29,106.80</b>	<b>(368.01)</b>
<b>FED AID ADJUST:</b>								
TV#11 12/31/98	(128.06)	(128.06)						
TV#16 1/31/99	(88.83)		(88.83)					
TV#29 4/30/99	(5,621.47)				(5,621.47)			
TV#34 5/30/99	(20,801.83)					(2,370.87)	(18,430.96)	
TV#40 6/30/99	(438.75)			(438.75)				
<b>FINAL ACCOUNTING:</b>								
LAMIE HWY BLDG R#6525	(608.28)				(608.28)			
SPICERVILLE BLDG R#6552	(10,675.84)						(10,675.84)	
MAHAN HWY BLDG R#6593	(29,806.66)					(29,806.66)		
<b>END BAL 9/30/99</b>	<b>\$ 30,882.65</b>	<b>\$ 16,235.33</b>	<b>\$ 14,235.42</b>	<b>\$ 779.91</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$ (368.01)</b>

## UNIFORM ACCOUNTING PROCEDURES

### **FEDERAL ENHANCEMENT PROJECTS AWARDED TO OTHER UNITS OF GOVERNMENT OR NON-PROFIT ORGANIZATIONS**

The road commission may elect to participate as the requesting party of a federal enhancement project that will be awarded to another governmental unit or nonprofit organization. Examples of other recipients include: townships, villages, tribal units, and historical societies. This type of project shall be accounted for in the same manner as a negotiated project. The road commission will be responsible for reviewing the project to make sure it is in compliance, will need to submit the paperwork to MDOT, and receive the federal portion due once the construction estimate has been approved.

Accounting for these types of projects is a two-step process. The road commission must recognize the expenditures as they occur and should record the federal portion and amount due from the unit of government or nonprofit organization.

Activity #521 - Non-Road Related Projects, is used as the expenditure account; and Activity #511.07 - ISTEA "D" Enhancement Funds and the proper respective local contribution account are to be used as the revenue accounts. The function code for both activity accounts should be the federal project number (ex. 50924A).

#### **EXAMPLE:**

The local historical society is awarded an enhancement grant in the amount of \$300,000. It is set up with a local share of 20%. The money will be used to restore old buildings located on-site. The federal project number is 50924A.

The road commission receives the bills from the vendor and prepares the project estimate in the amount of \$120,000 along with voucher #1 (If the local unit pays the contractor, the canceled check shall be included showing that payment was made to the contractor, see the second example). The road commission submits the project estimate to MDOT and prepares the following entry:

<u>Account Number</u>	<u>Sub- Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
521.XXX 202	50924A	Non-Road Related Projects Accounts Payable	\$120,000	\$120,000
078.04	50924a	Due From State - Other	96,000	
081.01	50924a	Due From Other Governmental Units	24,000	
511.07	50924A	ISTEA "D" Enhancement		96,000
583.06	50924a	Other Governmental Contributions		24,000

(To record the expenditures and revenues related  
to the enhancement project 50924A, awarded to the  
local historical society.)

## UNIFORM ACCOUNTING PROCEDURES

### **FEDERAL ENHANCEMENT PROJECTS AWARDED TO OTHER UNITS OF GOVERNMENT OR NON-PROFIT ORGANIZATIONS (Continued)**

If the local unit has paid for the expenditures and submits the documentation to support the expenditures to the road commission to bill the state, the following entries should be made:

<u>Account Number</u>	<u>Sub- Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
521.XXX	50924A	Non-Road Related Projects	\$120,000	
230		Due to Other Governmental Units		\$96,000
583.06	50924a	Other Governmental Contributions		24,000
078.04	50924a	Due From State - Other	96,000	
511.07	50924A	ISTEA "D" Enhancement		96,000

When the money is received from the State, the following entry should be made:

001		Cash	\$96,000	
078.04	50924a	Due From State - Other		\$96,000
230.XXX		Due to Historical Society	96,000	
001		Cash		96,000

### **ADVANCES BY TOWNSHIPS AND OTHERS FOR COUNTY ROAD PURPOSES**

In certain instances, townships, private parties, or other units of government advance money for agreements on certain specified projects. Such advances are to be credited to the following accounts as applicable:

- 241 - Advances From Cities
- 246 - Advances From Townships
- 247 - Advances From Villages
- 249 - Advances From Other Units of Government
- 283 - Performance Deposits Payable (for deposits by private parties)

As work on such projects progresses, the applicable above account is debited and credit is posted to an applicable revenue account such as:

- 583.01 - City Contributions
- 583.02 - County Contributions
- 583.03 - School Contributions
- 583.04 - Township Contributions
- 583.05 - Village Contributions
- 583.06 - Other Governmental Contributions
- 674 - Contributions From Public Enterprises
- 675 - Contributions and Donations From Private Sources

## **UNIFORM ACCOUNTING PROCEDURES**

### **PRIVATE DRIVEWAY PLOWING (UPPER PENINSULA ONLY)**

All private driveway plowing receipts shall be credited to liability Account #255 - Customer's Deposits Driveway Snowplowing.

All private driveway plowing costs shall be charged to Activity #520 - Driveway Snowplowing.

At fiscal year end, prior to recording closing entries, an amount **equal to** driveway plowing expenditures for the year are recorded in Activity #520 shall be transferred from liability Account #255 to revenue Account #641 - Charges for Services-Driveway Snowplowing.

### **STATE TRUNKLINE MAINTENANCE CONTRACT**

A state trunkline maintenance contract with the Michigan Department of Transportation is a detailed and complex contract, which should be read carefully and understood thoroughly. There is no profit motive for a contract with MDOT. The expenditures charged are audited annually by MDOT and you will be billed for any amounts charged by you greater than actual costs. Conversely, if the expenditures charged by you are less than actual, you will be reimbursed by MDOT. These situations routinely occur when charging equipment rental or when using prior years' fringe benefit rates. However, costs may be disallowed if not expressly approved by the contract or even if prescribed bidding procedures are not followed. If questions arise, another agency with a state trunkline maintenance contract is a good source of information, or the Commission Audit Division of MDOT may be able to assist. As in all accounting, consistency in accounting methodology should be adhered to.

#### **Current Year Contract**

When an expense is incurred for salaries and wages, supplies, materials, equipment rental and other expenses directly related to the maintenance of a state trunkline, the expenses for those costs are to be charged to Activity #517 - State Trunkline Maintenance. Function codes (with a brief description) should be set up for each highway maintained under a trunkline maintenance contract.

MDOT shall be billed, at least monthly, for the total charged to Activity #517. A journal entry should be made debiting Account #078.01 - Due from State-State Trunkline Maintenance, and crediting Account #627 - State Trunkline Maintenance Revenue for the amount billed. When payment is received from MDOT, Account #078.01 is credited.

## **UNIFORM ACCOUNTING PROCEDURES**

### **STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)**

#### **Prior Year State Maintenance Contract Adjustments**

Results of prior years audit adjustments should be recorded in Account #627 - State Trunkline Maintenance Revenue. If an amount is due the county, Account #627 is credited. If an amount is due MDOT, Account #627 is debited. Account #078.01 is the offset account.

#### **Determination of Equipment Rental Rates**

In order to bill MDOT for equipment used on state trunklines, an hourly equipment rental rate must be determined by each county. Annually, MDOT calculates a statewide average "Schedule C" equipment rental rate which may be used for billing MDOT. Schedule C equipment rental rates are made up of the direct, indirect and operating expenses of each county for each type of equipment, divided by the number of hours operated for the year. Obviously, each county will have different costs and may modify the rates charged subject to the approval of MDOT. Indirect Expenses: See section on Activity #511.

Since MDOT shares in the direct and indirect expenses of operating your equipment, and this includes depreciation, you should be aware that any gain on disposal of equipment will be shared with MDOT as well.

#### **Fringe Benefit Rates**

Each county calculates its own fringe benefit rate for the next year, prior to beginning the new year and subject to approval by MDOT. Care should be taken when charging expenses to fringe benefits (Activity #513).

#### **Determination of Fringe Benefit Costs for Trunkline Maintenance Contract**

When calculating fringe benefit rates for state trunkline use on Form 455C, compute the total payroll first. Line A - total payroll should represent the applicable year's payroll less the prior year accrual and including the current year accrual.

Line B - Administrative payroll costs should represent the gross payroll for the commissioners, manager, clerk, engineer, office staff, and part-time office help as charged to the administrative accounts. These gross payroll amounts should exclude payments for meetings, vacation, sick leave, holiday, personal time, longevity, jury duty, bonuses, birthdays, etc. (any applicable wage charge which could be charged to fringe benefit expenses).

## **UNIFORM ACCOUNTING PROCEDURES**

### **STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)**

Line C - Vacation, sick leave, holiday and longevity as paid to nonadministrative employees should include all fringe benefit costs included in nonadministrative employees paychecks during the year. These costs are calculated by using the total charges in these fringe benefit general ledger accounts and subtracting those costs applicable to administrative employees.

Line D - Vacation, sick leave, holiday and longevity as paid to administrative employees should represent the amount used as an exclusion for Line B - administrative payroll.

Total costs for vacation, sick leave, holiday, longevity, on the bottom half of the form, should be the same amount shown on Line C above.

Total costs for all other fringe benefit accounts should be listed on the remaining lines on the bottom half of the page (these should represent the total expense less any reimbursements received).

Use the formula listed on Form 455C, column 3, on the bottom half of the form to calculate the percentages to be used in column 4.

Code 187 - Total leave and benefit rate represents the total of column 4 and can be used as the fringe benefit rate for trunkline maintenance billings for the next fiscal year.

#### **Non-Labor Distributive Costs**

Generally speaking, nonlabor distributive costs, Activity #514, are not shared by MDOT unless there is a specific account that should be considered. If so, you should inform the state maintenance auditor at the time of the audit.

#### **Supervision**

Foremen, superintendents, engineers and any other supervisory employees, other than those included in administrative overhead, should fill out daily time cards charging state trunklines for all actual time worked for the benefit of MDOT.

#### **Materials Acquired and Specifications**

Whenever materials or services are acquired for a state trunkline in excess of \$10,000, advertisement and bidding procedures must be followed. All materials bid must meet minimum MDOT standards. Failure to follow and retain documentation of proper bid procedures, may result in costs questioned by MDOT and possible denial of reimbursement.

## **UNIFORM ACCOUNTING PROCEDURES**

### **STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)**

#### **Firm Unit Prices**

Material supplied by the road commission, including aggregates and bituminous materials, may be furnished at a "firm unit price" which is not subject to audit by MDOT. The firm unit price is subject to approval by MDOT.

As a general rule, costs of processing materials plus a "pit charge," consisting of costs not specifically identifiable, should be included. The pit charge would include the cost to replace the current pit, liability associated with owning the pit, costs of maintenance of the pit, etc. Comparison of pit charges with private vendors may give an indication of a reasonable fee.

The firm unit price(s) included in the contract should be billed to MDOT. Do not leave this up to the MDOT auditors to compute and/or adjust. If your accounting system or software package does not accommodate this, then monthly or year-end transfer vouchers could be made to ascertain that the firm unit price(s) and total costs are being recorded into Activity #517 and billed to MDOT.

#### **Sub-Contracts**

All subcontracts, in excess of \$20,000, must have the approval of the State Administrative Board and shall be advertised and awarded by competitive bid. All subcontracted work, regardless of the cost, will require the submission of a Quotation Request for Services or Equipment (Form 426).

#### **Handling Charges**

The direct expenses of handling, unloading, processing, stockpiling, heating, loading of materials such as aggregates, bituminous materials and chemicals may be charged to MDOT. In addition, a flat percentage charge (currently 5%) for handling and storage may be added to the purchase of all materials other than those previously listed, provided they require inside storage, heated storage, security, or other special care.

#### **Winter Maintenance Patrol**

The charges for winter maintenance patrol will be laid out in a letter of understanding prior to the beginning of each winter.

A detailed patrol log should be maintained and saved for audit purposes. Any extension of night patrol activities should be authorized in writing.

## **UNIFORM ACCOUNTING PROCEDURES**

### **STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)**

#### **Overhead**

Administrative overhead costs can be charged at a percentage (currently 8.5%) of expenditures or the audit to cost formula contained in the state maintenance contract may be followed. If audit to cost is followed, each county is again subject to possible payback to MDOT.

#### **Budget Guarantee and Contingency Fund**

MDOT will establish a summer and winter maintenance budget and will guarantee that, once established, the budgets for trunkline maintenance will not be reduced except as identified in the master contract. A contingency fund will be established for the winter maintenance budget which can only be used with authorization from MDOT staff. MDOT will also meet with the road commission between March 1 and May 15 of each budget year to discuss a supplemental summer program allowing time to plan and execute the work needed.

#### **Partial Payment for Routine Maintenance**

MDOT will pay the road commission a percentage of the annual budget for the fiscal year (adjusted each year) for maintenance to be performed. This is an advance and should be recorded as a liability in Account #328.02. This payment represents the cost associated with mobilizing or preparing for maintenance on state trunklines and should be accepted by each road commission with a state maintenance contract.

#### **Capital Equipment Advance**

Each road commission may elect to receive a Capital Equipment Advance. This is an advance and should be recorded as a liability in Account #328.01. This payment represents the cost associated with additional purchases of equipment to significantly increase the productivity and efficiency of the agency and should be accepted by each road commission with a state maintenance contract.

#### **State Stores**

State materials may be acquired through Department of Management and Budget's state stores program. State stores are materials purchased and owned by MDOT that may be utilized by the road commission with the road commission charging overhead.



## UNIFORM ACCOUNTING PROCEDURES

### STATE TRUNKLINE MAINTENANCE CONTRACT (Continued)

#### Unemployment Insurance

A road commission needing to hire additional seasonal help to maintain state trunklines may be reimbursed for actual unemployment claim payments. Unemployment reimbursement for seasonal employees is paid on the ratio of that employee's work time on the trunkline to his/her total wages during the employee's most recent employment period. A road commission that pays unemployment on a premium basis obviously will not be reimbursed based upon the above.

#### Chemical Storage Facility Operating and Maintenance Costs

Generally, all Chemical Storage Facility contracts include a section whereby MDOT can be billed under the current maintenance contract for a pro rata share of operating and maintenance costs of such storage facility based on chemical usage. The maintenance contract also includes language which allows for reimbursement of these costs. Therefore, any such costs (typically insurance, building repairs, etc.) should be recorded to Activity #517 and billed to MDOT. Do not leave this up to the MDOT auditors to compute.

#### Miscellaneous

From time to time, review with your personnel to ensure that all hours are being properly charged to MDOT. When people change positions within an organization, they do not necessarily realize the ramifications of why they report hours the way they do. Also, review how down time is being measured and accounted for. A consistent method must be followed.

Read the contract and understand how the road commission will be affected. Review the formula for foremen's wages to assure maximum charges. Utilize firm unit prices for materials made from county owned gravel pits. Ensure that you are receiving the State Equipment Advance and the State Maintenance Contract Advance. Utilize state stores for big ticket items like salt. Review the overhead audit to cost formula to determine if the contract percentage is satisfactory. **Above all, don't guess when applying the provisions of the state maintenance contract.**

## **UNIFORM ACCOUNTING PROCEDURES**

### **EQUIPMENT ACCOUNTING RECORDS**

The equipment expense account procedures for county road commissions explained in the following pages of this manual are established under the provisions of PA 71 of 1919 ([MCL 21.41 through 21.53, as amended](#)). These procedures represent minimum accounting requirements and are to be used in maintaining the general ledger for expenditures to Activities #510 - Equipment Expense-Direct, #511 - Equipment Expense-Indirect, and #512 - Equipment Expense-Operating and equipment summary records for each piece of equipment.

Automated computer systems must provide at least the minimum data listed in this manual although the formats may vary.

#### **Equipment Master Listing**

An "Equipment Master Listing" shall be maintained which provides an accurate record of each piece of equipment from the date of acquisition until the date of its disposal. This record will provide pertinent information regarding the make, model, year, engine, or serial or manufacturer's equipment number, road commission assigned equipment number, etc., of each piece of equipment along with an accumulated expense and earnings record and a comparison of the total annual expense to the total annual earnings. The report should be arranged in road commission assigned number order with reference to the MDOT Schedule C class code as follows:

The date of acquisition of the piece of equipment.

The total price paid for the piece of equipment, including the trade-in allowance received, if any.

The equipment number assigned to the piece of equipment by the county road commission.

The make or brand name of the equipment item.

The name of the equipment manufacturer.

The name of the firm from which the equipment was purchased.

The model number, year, weight.

The engine and serial number of the equipment.

The tire sizes and number of tires for each size listed.

## **UNIFORM ACCOUNTING PROCEDURES**

### **EQUIPMENT ACCOUNTING RECORDS (Continued)**

In the case of trucks, the type and size of body.

A listing of special equipment or accessories, which were dealer installed at the time of delivery.

Capitalized rebuilding of the equipment and the cost of such rebuilding.

The equipment classification code number as established by the Michigan Department of Transportation (MDOT - Schedule C).

Expected life and annual rate of depreciation.

Purchase order and/or disbursement voucher number.

Disposal date, selling price or trade-in received for the equipment.

All other information deemed necessary.

#### **Equipment Expense - General Ledger Accounting**

##### **Equipment Expense - Direct**

Charges to Activity #510 - Equipment Expense-Direct should include costs that can be established for a particular piece of equipment such as parts and labor for repairs. Depreciation is also charged to each piece of equipment as a direct charge.

##### **Equipment Expense - Indirect**

Charges to Activity #511 - Equipment Expense-Indirect should include those costs associated indirectly with equipment but cannot be directly established as a cost to a particular piece of equipment such as costs for operating the garage, fleet insurance, shop labor and shop equipment expenses, etc. Indirect costs are prorated on the "Equipment Summary Ledger Report" on a percentage basis of total indirect costs of all equipment to total direct repair costs of all equipment then multiplying the direct repair cost of a given piece of equipment by the percentage factor to obtain the indirect repair costs for that piece of equipment.

## **UNIFORM ACCOUNTING PROCEDURES**

### **EQUIPMENT ACCOUNTING RECORDS (Continued)**

#### **Equipment Expense - Operating**

Charges to Activity #512 - Equipment Expense-Operating should include operating costs for such maintenance items as fuel, lubricants, anti-freeze, and associated labor.

#### **Equipment Expense Summary Ledger Report**

An accumulative equipment report is suggested by generating costs from the equipment master listing and the general ledger detail, which should include the unit number of the equipment, state code designation, name of equipment, purchase date, purchase price, previous year's depreciation, current years depreciation, equity, disposal date, gain or loss on disposal, direct expense minus the depreciation, prorated indirect expense, operating expense, total hours used, total equipment rental earned, and **net gain or loss** (difference between the total equipment rental earned and the total expenses incurred).

#### **Underbody and Grader Blades**

Blades and bolts and the labor of removing worn-out blades and installing new blades will be a direct repair charge to the unit of equipment upon which the blade is being installed, namely, Motor Grader or Underbody Scraper, etc.

Blades will be placed in Account #110 - Inventory-Equipment Materials and Parts at the time of purchase. When blades are removed from inventory and installed on the equipment, a journal entry will be made crediting Account #110 and Debiting Activity #510 in the general ledger, and the appropriate unit of equipment in the Equipment Subsidiary Ledger for the cost of the blade or blades and bolts.

#### **Tires and Tubes**

A separate inventory item or account number should be established for each size tire used by the road commission equipment.

These tire inventory accounts will accumulate and should be charged by transfer voucher at the end of the fiscal year with the value of tires, tubes, and recapping taken from inventory and charged to the appropriate piece of equipment in Activity #510 by calculating the prorated costs by tire size on a wheel-hour basis using the following procedure:

Group the equipment by tire sizes. (Exclude equipment that has specialized tire sizes and should be charged out directly to that piece of equipment at the time of purchase.)

## **UNIFORM ACCOUNTING PROCEDURES**

### **EQUIPMENT ACCOUNTING RECORDS (Continued)**

Determine the total number of wheels normally mounted on the equipment (including spare, if carried) in each tire size group.

Multiply the total hours of operation of each piece of equipment by the total number of wheels (including spare, if normally carried) mounted on each piece of equipment. The result will be the total tire hours used by each piece of equipment.

Add the tire hours for all pieces of equipment in each tire size group to obtain the total tire hours by tire size.

Divide the total annual tire and tube costs for each size by the total tire hours to obtain the tire and tube cost, per tire size, per hour of use.

To determine the tire and tube cost to be charged to each piece of equipment, multiply the number of hours the piece of equipment was used by the tire and tube cost per hour and by the number of wheels normally mounted on the piece of equipment.

The total amount of tire and tube expense to be charged to all the equipment should equal the total tire and tube expense for all tire size expense accounts. Transfer the expense as computed to the individual pieces of equipment to the Activity #510 - Equipment Expense-Direct and offset that charge with the Account #110 - Equipment Materials and Parts which should zero out the tire inventory for the new fiscal year.

In addition to the above tire accounting procedures, a memo record should be maintained indicating the date of purchase of each tire, the tire location and changes in location, and the date and manner of disposition of each tire. This memo record should be in agreement with the total number of tires in stock and in use.

Tires may be charged directly to equipment.

### **Fuel**

To this account will be posted the cost of fuel consumed by county road commission equipment. The entry will be posted monthly (or more frequently) in which the inventory account is credited and the Equipment Expense-Operating Activity 512 is debited. Fuel purchased through a commercial vendor will be charged to each vehicle at the time of purchase or invoice data entry.

## **UNIFORM ACCOUNTING PROCEDURES**

### **EQUIPMENT ACCOUNTING RECORDS (Continued)**

#### **Other Information - Vehicles and Road Equipment**

##### **Superintendent's or Manager's Vehicle**

The net expense of the superintendent's or manager's vehicle should be charged as a distributive cost on the basis of actual expenses involved in the operation of this vehicle, including depreciation. Net expense will equal the total actual costs less authorized hourly rental credits.

##### **Identification of Equipment**

Each piece of equipment should be clearly labeled with the name of the road commission to which it belongs and its county assigned number.

##### **Engineer's and Surveyor's Vehicle**

The equipment rental earned by the engineer's and surveyor's vehicles should be charged to the projects benefiting from the use of such vehicles. All hours of usage should be reported.

### **CAPITAL OUTLAY**

#### **Equipment Leases**

Leases are classified as either capital leases or operating leases. If a particular lease meets any **one** of the following classification criteria, it is a capital lease:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal to or greater than 75% of the estimated economic life of the leased property.
4. The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the leased property less any investment tax credit retained by the lessor.

The last 2 criteria are not applicable when the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property.

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

A capital lease is when ownership transfers to the lessee. It is recorded as a fixed asset and depreciation is recorded. The accounting for capital leases is described in this section of the "Uniform Accounting Procedures Manual for County Road Commissions."

An operating lease is a rental of equipment. It should be recorded to the appropriate expenditure account when the payments are made (no outlay or depreciation is recorded).

### Equipment Purchases, Disposals and Retirements

Accounting examples for recording Road Equipment Purchases (Account No. 976), Trade-In Allowances (Account No. 688), Equipment Retirements (Account No. 689), and Gain or Loss on Disposal of Equipment (Account No. 693.01) in the **County Road Fund** follow:

Assume that a road commission purchases a new truck at a total cost of \$100,000. This purchase is paid for by a trade-in allowance of \$30,000 and by a cash disbursement of \$70,000. The original cost of the truck traded in was \$80,000 of which \$60,000 had been depreciated, leaving a net book value of the traded in equipment of \$20,000.

The following entries should be made:

#### **Cash Disbursements Journal**

		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay-Road Equipment	\$100,000	
688	Trade-In Allowance		\$30,000
001	Cash		70,000

(To record the purchase of  
equipment # \_\_\_\_ and trade-in  
of equipment # \_\_\_\_.)

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

#### Transfer Voucher

		<u>Debit</u>	<u>Credit</u>
688	Trade-In Allowance	\$30,000	
693.01	Gain or Loss on Disposal of Equipment		\$10,000
689	Equipment Retirements		20,000

(To divide trade-in allowance between net book value of equipment traded in and gain on disposal of equipment.)

In the same example as shown above, let us assume that the trade-in allowance received as \$10,000 instead of \$30,000. The entries would then have been as follows:

#### Cash Disbursements Journal

		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay	\$100,000	
688	Trade-In Allowance		\$10,000
001	Cash		90,000

#### Transfer Voucher

		<u>Debit</u>	<u>Credit</u>
688	Trade-In Allowance	\$10,000	
693.01	Gain or Loss on Disposal of Equipment	10,000	
689	Equipment Retirements		\$20,000

(To reflect the net loss on the trade-in of equipment no. \_\_\_\_ on new equipment.)

Note that the trade-in allowance account is closed out by dividing the allowance between the "Equipment Retirement" representing net book value and the gain or loss realized.

Assume that a road commission purchases a new truck chassis during the last month of the current fiscal year at a cost of \$80,000 with the remaining outfitting items (dump box, hydraulics, etc.) are purchased and installed in the next fiscal year at a cost of \$20,000.



## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

The following entries should be made:

#### **Cash Disbursements Journal**

		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay - Road Equipment	\$80,000	
001	Cash		\$80,000

(To record the purchase of equipment no. \_\_\_\_.)

NOTE: No depreciation is to be calculated on this piece of equipment in the current year as it is not complete and has not been placed in use. The date in use should be the last day of the year for the current fiscal year with the date changed to the actual date in use in the next fiscal year when the entire truck is complete and in service. This will ensure that no depreciation is calculated on the equipment until it has been completed.

In the next fiscal year, once all outfitting has been completed, the following entries should be made:

#### **Cash Disbursements Journal**

		<u>Debit</u>	<u>Credit</u>
900-976	Capital Outlay-Road Equipment	\$20,000	
001	Cash		\$20,000

(To record the purchase of completing outfitting of equipment no. \_\_\_\_.)

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

#### Equipment--Gain or Loss

Examples of entries to record the sale of equipment are as follows:

Assume that a fully depreciated piece of equipment was sold for \$10,000:

#### **Cash Receipts Record**

		<u>Debit</u>	<u>Credit</u>
001	Cash	\$10,000	
693.01	Gain or Loss on Disposal of Equipment		\$10,000

Assume that a piece of equipment with a net book value of \$5,000 was sold for \$10,000:

#### **Cash Receipts Record**

		<u>Debit</u>	<u>Credit</u>
001	Cash	\$10,000	
693.01	Gain or Loss on Disposal of Equipment		\$5,000
689	Equipment Retirements		5,000

(To record the sale and gain on sale  
of equipment # \_\_\_\_.)

Note: Entries to be made in the **Capital Assets Account Group** to record equipment purchases, trade-ins, and retirements are explained in the Uniform Accounting Procedures-Capital Assets Account Group section of this manual.

#### Installment Purchases

If installment purchases are made pursuant to the provisions of [MCL 224.10\(4\)](#), accounting procedures as presented in the following example are applicable:

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

#### Example 1 - Lease Payable Recorded in Long-Term Debt Account Group Only

A loader is purchased in accordance with the following terms:

Cash Price of Equipment	\$ 82,235.00
Trade-In Allowance	<u>7,000.00</u>
Unpaid Balance	75,235.00

Finance Charge (Interest at 8% Per Annum of the Unpaid Cash Balance)	<u>29,793.80</u>
---	------------------

Time Balance	<u>\$105,028.80</u>
--------------	---------------------

To be paid by 60 monthly payments of \$523.38 with a final payment of \$73,626.00 at the end of 60 months. The equipment may be returned to the seller and the agreement terminated at any time during the agreement period.

The entry to record the purchase and installment debt is:

	<u>Debit</u>	<u>Credit</u>
A. County Road Fund		
Account #976 - Capital Outlay-Road Equipment	\$82,235	
Account #688 - Trade-In Allowance		\$ 7,000
Account #697 - Lease Proceeds		75,235
B. General Fixed Assets Account Group		
Account #138 - Equipment-Road	\$82,235	
Account #399 - Investment in General Fixed Assets		\$82,235

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

Note: The applicable fixed asset accounts will have to be adjusted for the value of the asset traded in, accumulated depreciation and equity.

	<u>Debit</u>	<u>Credit</u>
C. General Long-Term Debt Account Group		
Account #186 - Amount to be Provided for		
Payment of Debt Principal	\$75,235	
Account #304 - Lease Payable (Non-Current)		\$75,235

The entries to record the monthly payment of \$523.38 must be allocated to the debt (principal) and finance (interest) charges. The allocation amount can be determined from an amortization schedule or can be computed each month by multiplying the current unpaid balance times the 8% rate and dividing the product by 12. This results in the amount to be recorded as the monthly interest expense. The amount of the computed interest is deducted from the monthly payment of \$523.38 giving the amount of principal repayment.

To illustrate:

	<u>1st Payment</u>	<u>2nd Payment</u>	<u>3rd Payment</u>
Debt Balance	\$75,235.00	\$75,213.19	\$ 75,191.23
Interest (Debt Balance x 8% Divided by 12)	501.57	501.42	501.28
Principal Payment (\$523.38 Less Interest)	21.81	21.96	22.10
Next Month's Debt Balance (This Debt Balance Less Principal Payment)	\$75,213.19	\$75,191.23	\$ 75,169.13

D. The monthly entry to record the payment in the County Road Fund is:

	<u>Debit</u>	<u>Credit</u>
Account #991 - Principal	Amount of Principal Payment (as computed)	
Account #995 - Interest	Amount of Interest (as computed)	
Account #001 - Cash		\$523.38

E. The Lease Payable and Amount to be Provided accounts in the long-term debt account group will be adjusted by the amount of the principal payment. This can be recorded monthly or at year-end. If recorded at year-end, the journal entry (transfer voucher) should list in the explanation the twelve monthly amounts that comprise the total.

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

If the equipment is returned to the seller as provided in the agreement, the following entries will be necessary:

	<u>Debit</u>	<u>Credit</u>
F. Capital Assets Account Group		
Account #399 - Investment in Capital Assets	Applicable Amount	
Account #139 - Accumulated Depreciation Road Equipment	Applicable Amount	
Account #138 - Equipment-Road		\$82,235
G. General Long Term Debt Account Group		
Account #304 - Lease Payable (Non-Current)	Applicable Balance	
Account #186 - Amount to be Provided for Payment of Debt Principal		Applicable Balance
H. County Road Fund		
Account #991 - Principal	\$73,626	
Account #001 - Cash		\$73,626
I. General Long-Term Debt Account Group		
Account #304 - Lease Payable (Non-Current)	Applicable Balance	
Account #186 - Amount to be Provided for Payment of Debt Principal		Applicable Balance

We have not included the entries for recording depreciation, gain or loss on sale of the assets or other entries that would be recorded in the normal course of operations. These suggested entries address only the recording of the installment purchase and payment. These entries will apply to any similar installment purchase.

#### Example 2 - Current Portion of Lease Payable Recorded in County Road Fund

If the road commission elects to record the current portion of lease payable as a current liability, entries D and E will be replaced by the following entries.

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

On January 1<sup>st</sup> of each year, the amount of lease principal to be paid during the current year would be recorded as follows:

	<u>Debit</u>	<u>Credit</u>
County Road Fund		
Account #991 - Principal	XXXXXX	
Account #208 - Lease Payable (Current)		XXXXXX
General Long-Term Debt Account Group		
Account #304 - Lease Payable (Non-Current)	XXXXXX	
Account #186 - Amount to be Provided for Payment of Debt Principal		XXXXXX

The monthly entry to record the payment in the County Road Fund would be:

	<u>Debit</u>	<u>Credit</u>
Account #208 - Lease Payable (Current)	XXXXXX	
Account #995 - Interest	XXXXXX	
Account #001 - Cash		XXXXXX

### Rented Equipment

When a piece of equipment is rented for use on a specific maintenance or construction project or for an extended period of time for general use, the size of the equipment and the duration of the rental agreement should determine the accounting procedure most appropriate. Small items such as chain saws may be expensed directly from the invoice to the job. Larger equipment such as loaders may be set up in the equipment master and given a state code and rental rate so that it may be charged as if it was an owned piece of equipment. The invoice for rental would be charged to Activity #510 - Direct Equipment Expense as an expense to that equipment number or may be charged directly to the project.

### New Buildings

Preliminary new building costs such as architectural plans, site preparation, financing cost, etc., should be included in the entire cost of the new building. If these costs occur during one fiscal year and construction of the new building occurs over the course of two fiscal years, you can record these costs in the following manner:

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

Assume a road commission decides to build a new truck garage. Architectural costs are \$10,000 and the road commission crew will prepare the site by removing trees and other obstacles in the way at a cost of \$10,000. Construction of the new truck garage has started and the fiscal year ends. The building contractor invoices the road commission for \$40,000. In the next fiscal year, after the building is complete, the contractor invoices the road commission \$60,000. The new truck garage is put into service three months into the new fiscal year.

The following entries should be made:

#### **Cash Disbursements Journal**

	<u>Debit</u>	<u>Credit</u>
900-975 Capital Outlay - Truck Garage	\$60,000	
001 Cash		\$60,000

(To record current year new truck garage building costs.)

At year end, the normal entries described in the **Capital Asset Account Group** section are made.

It is recommended that no depreciation be calculated on this new building until it has been completed and placed in use. Therefore, in the individual building records, the in-service date should be the last day of the year with the date changed to the actual in-service date in the next fiscal year. This will ensure that no depreciation is calculated until the building is complete.

In the next fiscal year, once you have paid for the final contractors' invoice, the following entries should be made:

#### **Cash Disbursement Journal**

	<u>Debit</u>	<u>Credit</u>
900-975 Capital Outlay - Truck Garage	\$60,000	
001 Cash		\$60,000

(To record current year new truck garage building costs, use the same building number used in the previous year.)

## **UNIFORM ACCOUNTING PROCEDURES**

### **CAPITAL OUTLAY (Continued)**

At year end, the normal entries described in the **Capital Asset Account Group** section are made.

NOTE: An important question to ask regarding depreciation is "when will the new building be used?" You must use the date you started using the building as the "in-service" date and start depreciation from that date forward.

#### **Salt Shed Construction Costs Shared by the Road Commission and the State**

Where costs of constructing salt sheds are shared by the state on a percentage of use basis, example 80% MDOT, 20% road commission, the accounting procedure is similar to the 100% funded project, as explained later in this section.

In the County Road Fund, all expenditures are charged to Activity #900 - Capital Outlay. The state reimbursement is credited to Account #539 - State Grants Control. If a revenue subaccount is desired, assign an account number from 548 - 551.

In the General Fixed Asset Account Group, at year end, a journal entry is prepared by debiting Account #136 - Buildings and crediting Account #399 - Investment in General Fixed Assets in the amount charged to Activity #900. Such a building is subject to depreciation. Refer to the salt shed construction contract between MDOT and your road commission for the correct percentages to use.

The road commission should develop a spreadsheet that shows all salt held in the shed and the percentage that is state and road commission. You need to record this for five years. At the end of this period of time, MDOT will review your records to see if the original contract percentages were correct.

At the end of the five years, using the above percentages, if 90% of the salt stored in the salt shed was MDOTs, they will reimburse you the additional 10% of the cost. If the county percentage has increased, then the road commission would pay the state the difference.

#### **Salt Shed Construction Costs Reimbursed by the State**

Where costs of constructing salt sheds are reimbursed 100% by MDOT, the following accounting procedures apply:

In the County Road Fund, all expenditures are charged to Activity #900 - Capital Outlay. The state reimbursement is credited to Account #539 - State Grants Control. If a revenue subaccount is desired, assign an account number from #548 - 551.



## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

In the Capital Assets Account Group, at year-end, a journal entry is prepared debiting Account #136 - Buildings and crediting Account #399 - Investment in Capital Assets in the amount charged to Activity #900.

Such a building is subject to depreciation. **However, no depreciation is recorded in the County Road Fund, in this case.** Depreciation is recorded in the Capital Assets Account Group **only**, as follows:

**Debit** - Account #399 - Investment in Capital Assets

**Credit** - Account #137 - Accumulated Depreciation-Buildings

### New Equipment

The cost of all new equipment, which is recorded in the Equipment Expense Summary Ledger, must include all costs as explained under Activity #900 - Capital Outlay.

The disbursement of funds for any complete building of a piece of equipment should be considered as a capital expenditure **ONLY** if it **substantially** increases the expected life of the equipment; otherwise, it will be considered as a **Direct Repair** charge to the piece of equipment. Where the useful life is substantially increased, it will be necessary to add the total factory rebuilding cost to the undepreciated balance. It is then permissible to start the depreciation the same as new equipment on the present five (5) year or eight (8) year depreciation schedule, whichever applies to the code number of the equipment rebuilt. However, it is preferable to estimate the actual remaining life and to depreciate the equipment accordingly using the sum-of-the-years digits method.

The restoration of equipment damaged by accident will be considered as a direct repair charge.

Insurance payments, or other reimbursements for accidental damage to equipment will be treated as expenditure credits as an offset to the direct repair charges.

### Used Equipment

The purchase price and reconditioning costs of used equipment will be considered as a capital expenditure. Depreciation will be computed in the same manner as for any other piece of new equipment as the established depreciation rate (refer to Equipment Rental Rates - Schedule C).

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

#### Minimum Cost for Capitalization

Assets which have an original cost of less than \$200 shall not be capitalized on the books of account, except in those cases in which the equipment item is assigned an equipment rental rate by the Michigan Department of Transportation (Schedule C); in these cases the equipment costs will be classified as capital outlay regardless of the cost.

#### Fire Loss and Insurance Recovery

Assuming a road commission garage with an original cost of \$100,000 and a present book value of \$64,000 is destroyed by fire, the road commission receives an insurance payment of \$113,000 and replaced the garage at a cost of \$267,000.

The following entries are necessary for buildings only:

Activity/ <u>Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
<u>County Road Fund</u>			
001	Cash	\$113,000	
696	Bond and Insurance Recoveries		\$113,000
	(To record receipt of insurance payment for garage.)		
900/975	Capital Outlay/Buildings	\$267,000	
001	Cash		\$267,000
	(To record the cost of rebuilding garage.)		
<u>Capital Assets Account Group</u>			
137	Accumulated Depreciation-Buildings, Additions, and Improvements	\$36,000	
399	Investment in Capital Assets	\$64,000	
136	Buildings, Building Addition, and Improvements		\$100,000
	(To write off garage destroyed by fire.)		

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

<u>Activity/ Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
136	Buildings, Building Addition, and Improvements	\$267,000	
399	Investment in Capital Assets		\$267,000

(To record capital outlay expenditures  
for new garage.)

### Depreciation

Depreciation should be computed on the sum-of-the-years-digits method for road equipment and vehicles using the depreciation tables in Schedule C - Equipment Rental Rates issued by the Michigan Department of Transportation. Depreciation should be computed on the straight-line method for all other fixed assets.

Depreciation must be computed in all instances for the year or the portion of the year that the piece of equipment was owned by the County Road Commission. Depreciation should begin on the first of the month of delivery.

### Depreciation Expense

At the close of the year, depreciation of fixed assets is determined from the individual equipment and building records. A journal entry is made debiting expenditure Account #968 - Depreciation and Depletion Expense, and/or the applicable depreciation expense subaccount(s) within the proper activity, and crediting revenue Account #690 - Depreciation and Depletion Credits.

Depreciation expenses should be debited to the various activities as follows:

Depreciation of buildings should be posted to Activity #511 - Equipment Expense-Indirect (excluding administrative if the administrative office is connected to the garage or shop) as additional shop and storage expense; depreciation of road equipment to Activity #510 - Equipment Expense-Direct, and furniture to Activity #511 - Equipment Expense-Indirect, Activity #514 - Distributive Expense-Other or #515 - Administrative Expense; depreciation of shop equipment to Activity #511 - Equipment Expense-Indirect; and depreciation of engineering equipment to Activity #516 - Engineering, if used. (If Activity #516 is not used, depreciation of engineering equipment should be charged to either Activity #514 - Distributive Expense-Other). Depreciation of storage silos, buildings, and tanks that store road materials should be charged to Activity #514 - Distributive Expense-Other.

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

It is recommended that the necessary entries in the County Road Fund and the Capital Assets Account Group for equipment which is disposed of during the year be made at the time of disposition. Other depreciation expense entries must be made at least annually.

#### Depreciation

The following depreciation percentage rates are recommended for the capital asset items (other than road equipment):

Shop Equipment	10% per year
Stockroom Fixtures	10% per year
Land Improvements	10% per year

#### All Buildings

Masonry Construction	2% per year
Sheet Metal Construction	3% per year
Wood Frame Construction	4% per year

#### Yard and Storage Equipment

Chemicals Storage Silo (Masonry)	5% per year
Liquid Chemicals Storage Tank (Metal)	10% per year
Asphalt Storage Tank (Metal)	5% per year
Chemical Hopper Bin (Metal)	10% per year
Chemical Storage Bin (Masonry)	5% per year

#### Office, Engineering, Computer Equipment

Office Equipment and Furniture	10% per year
Engineering Equipment	10% per year
Computers, Data Processing Equipment	25% per year

#### Depletion

Depletable Assets or wasting assets are defined as assets which diminish in value by the removal of their contents such as the purchase cost of gravel pits, sand pits, clay pits, brine wells, quarries, etc.

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

When depletable assets are acquired, the cost or appraised value of the assets acquired should be charged to Activity #900 - Capital Outlay, Account #987 - Depletable Assets in the County Road Fund. Monthly or annually the amount charged to Account #987 should be recorded by journal entry in the Capital Assets Account Group by debiting Account #134 - Depletable Assets and crediting Account #399 - Investment in Capital Assets. To effectively control depletable assets, the unit cost (yard, ton, gallon, etc.) must be determined by dividing the purchase cost by the actual or estimated quantity acquired.

### DEPLETABLE ASSETS

When depletable assets are removed and:

#### Stockpiled

The cost of the material removed should be debited to Account #109 - Inventory-Road Materials with an offsetting credit to Account #690 - Depreciation and Depletion Credits in the County Road Fund.

#### Used for Construction, Heavy Maintenance, or Maintenance on the County Road System

The cost should be debited to expenditure Account #968 - Depreciation and Depletion within the applicable construction, heavy maintenance or maintenance activity with an offsetting credit to Account #690 - Depreciation and Depletion Credits in the County Road Fund.

#### Sold

The cost of material sold should be debited to an asset account, such as Cash or Accounts Receivable with an offsetting credit to Account #690 - Depreciation and Depletion Credits in the County Road Fund.

Monthly or annually, the amount of depletion credited to Account #690 should be recorded in the Capital Assets Account Group by crediting Account #135 - Accumulated Depletion-Depletable Assets and debiting Account #399 - Investment in Capital Assets.

At such time as the actual or estimated quantity is completely depleted, the depletion accounts in the Capital Assets Account Group are closed by debiting Account #135 - Accumulated Depletion and crediting Account #134 - Depletable Assets. Subsidiary accounts by asset name and location should be maintained for Account #134 and Account #135.

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL ASSETS ACCOUNT GROUP (CAAG)

The following accounts may be found in the Capital Assets Account Group.

<u>Account Number</u>	<u>Account Name</u>
<u>Asset Accounts</u>	
130	Land
132	Land Improvements
134	Depletable Assets
136	Buildings, Building Additions, and Improvements
138	Equipment - Road
140	Equipment - Shop
142	Equipment - Engineering
144	Equipment - Yard and Storage
146	Office Equipment and Furniture
148	Vehicles
156	Bridges
158	Construction Work in Progress
159	Roads
161	Traffic Signals
<u>Accumulated Depreciation Accounts</u>	
133	Accumulated Depreciation - Land Improvements
135	Accumulated Depletion - Depletable Assets
137	Accumulated Depreciation - Buildings, Additions and Improvements
139	Accumulated Depreciation - Road Equipment
141	Accumulated Depreciation - Shop Equipment
143	Accumulated Depreciation - Engineering Equipment
145	Accumulated Depreciation - Yard and Storage Equipment
147	Accumulated Depreciation - Office Equipment and Furniture
149	Accumulated Depreciation - Vehicles
157	Accumulated Depreciation - Bridges
160	Accumulated Depreciation - Roads
162	Accumulated Depreciation - Traffic Signals
<u>Equity Accounts</u>	
399	Investment in Capital Assets
.01	Primary Road Funds
.02	Local Road Funds
.03	County Road Commission Funds

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL ASSETS ACCOUNT GROUP (CAAG) (Continued)

The total debits to fixed asset accounts in the CAAG to record fixed asset additions for the year must agree with total capital outlay per County Road Fund Activity #900 - Capital Outlay Control.

In the CAAG, the total credits to accumulated depreciation and depletion accounts for the year, (less depreciation on salt sheds paid for by MDOT) should agree with the balance recorded in County Road Fund Account #690 - Depreciation and Depletion Credits.

#### Sample Journal Entries

The following journal entries illustrate the accounting for capital assets in the CAAG:

<u>Account Number</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
130	Land	\$ 12,000	
134	Depletable Assets	6,000	
138	Equipment - Road	252,000	
146	Office Equipment and Furniture	9,600	
399	Investment in Capital Assets		\$279,600
	(To record capital outlay expenditures for the year as recorded in County Road Fund Activity #900)		
399	Investment in Capital Assets	\$125,100	
135	Accumulated Depreciation - Depletable Assets		\$ 500
137	Accumulated Depreciation - Buildings, Additions, and Improvements		9,600
139	Accumulated Depreciation - Road Equipment		109,300
141	Accumulated Depreciation - Shop Equipment		2,400
143	Accumulated Depreciation - Engineering Equipment		700
147	Accumulated Depreciation - Office Equipment and Furniture		2,600

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL ASSETS ACCOUNT GROUP (CAAG) (Continued)

<u>Account Number</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
139	Accumulated Depreciation - Road Equipment	\$59,000	
141	Accumulated Depreciation - Shop Equipment	2,000	
143	Accumulated Depreciation - Engineering Equipment	200	
399	Investment in Capital Asset	1,000	
138	Equipment - Road		\$60,000
140	Equipment - Shop		2,000
142	Equipment - Engineering		200

(To remove equipment traded in, retired  
or otherwise disposed of during the year.)

### Subsidiary Accounting Records

Required CAAG subsidiary accounts are listed and described in the "Accounting Procedures-Subsidiary Accounting Records and Equipment Subsidiary Accounting Records-Detailed Instructions" sections of this manual.

The total costs and accumulated depreciation and depletion per subsidiary records must be reconciled to the fixed asset and accumulated depreciation and depletion control account balances in the CAAG at least annually.

Data reported to MDOT on the annual County Equipment Questionnaire must agree with the Equipment Subsidiary Accounting Records.

### Account #399 - Investment in Capital Assets

This account should reflect the total cost of fixed assets less accumulated depreciation and depletion at the end of a year's operations.



## UNIFORM ACCOUNTING PROCEDURES

### GENERAL LONG-TERM DEBT ACCOUNT GROUP (GLTDAG)

The following accounts may be found in the General Long-Term Debt Account Group:

<u>Account Number</u>	<u>Account Name</u>
<u>Asset Accounts</u>	
186	Amount to be Provided for Payment of Debt Principal
195	Amount to be Provided for Accumulated Vacation and Sick Leave
<u>Liability Accounts</u>	
300	Bonds Payable
304	Lease Payable
307	Notes Payable
310	Contracts Payable
343	Accrued Vacation and Sick Leave Payable

This account group is to be used to record debt with a maturity of more than one year after the date of issuance. At the time the liability is incurred, the entire amount payable is recorded as a liability in the GLTDAG with an offsetting debit to the appropriate "Amount to be Provided" account.

To record decreases in general long-term debt, entries are made in the GLTDAG when the related debt service expenditures are recorded in the County Road Fund. All decreases in general long-term debt are recorded in the GLTDAG with a debit to the appropriate liability account and a credit to the appropriate "Amount to be Provided" account.

## UNIFORM ACCOUNTING PROCEDURES

### GENERAL LONG-TERM DEBT ACCOUNT GROUP (GLTDAG) (Continued)

The following journal entries are provided to illustrate the accounting for general long-term debt in the GLTDAG:

<u>Account #</u>	<u>Account Name/Explanation</u>	<u>Debit</u>	<u>Credit</u>
186	Amount to be Provided	\$400,000	
300	Bond Payable		\$400,000
	(To record issuance of Act 51 bonds)		
300	Bonds Payable	\$25,000	
186	Amount to be Provided		\$25,000
	(To record Act 51 bonds retired during the year)		
195	Amount to be Provided	\$20,760	
343	Accrued Vacation and Sick Leave Payable		\$20,760
	(To record increase in accrued leave during the year)		

Transactions in the County Road Fund that correspond to the foregoing GLTDAG entries are:

001	Cash	\$400,000	
698	Proceeds from Sale of Bonds		\$400,000
	(To record receipt of bond proceeds)		
991	Principal	\$25,000	
995	Interest	\$20,000	
001	Cash		\$45,000
	(To record payment of bond principal and interest)		

## **UNIFORM ACCOUNTING PROCEDURES**

### **GENERAL LONG-TERM DEBT ACCOUNT GROUP (GLTDAG) (Continued)**

#### **Optional Procedure - Recording Current Liability for Debt at Beginning of Fiscal Year**

At the beginning of each year, the amount of debt to be retired during the year may be recorded as a current liability in the County Road Fund. If we use bonds payable as an example, the following journal entry would be made:

##### **County Road Fund**

Debit - Account #991 - Principal  
Credit - Account #250 - Bonds Payable-Current

##### **General Long-Term Debt Account Group**

Debit - Account #300 - Bonds Payable  
Credit - Account #186 - Amount to be Provided for Payment of Debt Principal

When payment is made, County Road Fund Account #250 will be debited directly from the cash disbursements journal.

#### **Interest**

Interest payable in future years is not recorded in the GLTDAG. However, the road commission's Notes to Financial Statements must include summary disclosures of principal and interest debt service requirements to maturity for all types of debt.

Interest Expense is a current operating expenditure and should be recorded in the County Road Fund only as a debit to mandatory Account #990 - Debt Service and/or Subaccount #995 - Interest.

### **YEAR-END CLOSING**

The year-end closing procedures of each road commission may vary depending upon the processes of the financial software used, however, in most cases the year-end will mirror the month-end closings. Varying situations unique to one particular road commission will cause the addition of some accounting entries, but for the most part those closing entries discussed later in the section will be necessary to properly close the fiscal year.

## **UNIFORM ACCOUNTING PROCEDURES**

### **YEAR-END CLOSING (Continued)**

Differences may also be noted between road commissions based upon whether or not items are recorded on a monthly or yearly basis such as federal and state aid accounting, depreciation of equipment, prorating of utility expenses for garage and administrative use, to name just a few. It is suggested that recording of these items on a monthly basis, whenever possible, will more truly reflect the financial status of the road commission throughout the year.

Establishing a routine for month-end checks and balances that pattern the closing at year-end will aid in spotting errors that could be adjusted more easily nearer the time when they occur. Checking totals of cash with the county treasurer, promptly balancing the checking accounts, billing items that are outstanding on a timely basis, or sending notices of outstanding receivables can help to avoid discrepancies at the end of the year. Treat every month as if it were a year-end closing.

Get a handle as early as possible on those things you can control. With planning, capital outlay and inventory items, especially large quantities of road materials, may be ordered early to allow for adequate processing and payment. Establishing deadlines for capital outlay and inventory purchases will aid in balancing depreciation prior to year-end.

Do not wait until year-end to delete items from fixed asset listings and account for gains or losses on equipment disposal. Plan auctions or other methods of disposal as early in the year as possible and update accounting records immediately. Be sure that minutes of the board of road commissioners reflects approval for all methods of equipment disposal including sales, trade-ins, etc.

If the parts inventory is taken at year-end, establish a system that works and use it consistently from year to year. For example, the actual physical inventory might be taken the month before the fiscal year ends with only a small adjustment necessary for the last month's activity to complete the year. As long as you remain consistent with the timing and procedures, most auditors will accept the method you choose. Setting a time for the physical inventory and resisting the temptation to deviate from that schedule will assure success. Inventory road materials in mid-summer, or at the beginning and end of the construction season, so that adjustments are made when supplies are at a low quantity.

Consider converting to a perpetual inventory system so that a small portion of the inventory can be counted each month in lieu of a time consuming physical inventory once a year.

Preparing a check list for year-end transfers that best reflects your year-end needs and reviewing that list each year for updates may assure the most efficient and time saving method for accomplishing the task of year-end closing.

## UNIFORM ACCOUNTING PROCEDURES

### YEAR-END CLOSING (Continued)

#### Illustration for Year-End Closing

A year-end closing spreadsheet is included on the following pages as an example of one suggested method for balancing accounts and arriving at the year-end fund balance. Other effective methods may already be in place at various road commissions to achieve the same results.

Closing entries should include, but are not limited to the following:

**Michigan Transportation Fund Receivable** - For fiscal years ending on December 31, a receivable should be recorded for the MTF check received the following January and February representing the November and December collections. For fiscal years ending on September 30, a receivable should be recorded for the MTF check received the following October and November representing the August and September collections. The total revenue recorded for MTF for the year should reflect twelve months including the receivable.

**Depreciation** - To record yearly depreciation amounts, debit Account #968.01 - Depreciation-Land Improvements, Account #968.02 - Depreciation-Buildings, Account #968.03 - Depreciation -Road Equipment, Account #968.04 - Depreciation-Shop Equipment, Account #968.05 - Depreciation-Engineering Equipment, Account #968.06 - Depreciation-Yard and Storage, Account #968.07 - Depreciation-Office Equipment and Furniture, or Account #968.08 -Depreciation-Vehicles, and credit Account #690 - Depreciation and Depletion Credit with the total, assuming monthly transfers have not been recorded for the various depreciation amounts.

**Prorated Utilities** - To record credit to Activity #511 - Equipment Expense-Indirect with a predetermined percentage of the balances in Account #921 - Electricity, Account #922 - Heat, and Account #923 - Water and Sewage (or any other such utility) where applicable when road commission offices reside within the same structure as the garage, with a debit to Activity #515 - Administrative Expense, assuming those expenses have not been prorated to the administrative expense at the time the utility invoices were paid.

**Close Administrative Credits** - To close revenue accounts such as Account #629 - Overhead-State Trunkline Maintenance, Account #630 - Overhead-All Other Services, Account #646 - Handling Charges on Materials Sold, and Account # 691 - Purchase Discounts, debit the revenue accounts and credit Activity #515 - Administrative Expense.

## UNIFORM ACCOUNTING PROCEDURES

### YEAR-END CLOSING (Continued)

**Close Trade-In Allowance** - To close Account #688 - Trade-In Allowance, debit the balance of that account and credit Account #693.01 - Gain or Loss on Disposal of Equipment. If, however, the equipment which was disposed of was not fully depreciated, that portion of the trade-in must be credited to Account #689 - Equipment Retirements.

**Tire Proration** - To close the yearly tire expenses from Account #110 - Inventory-Equipment Materials and Parts to Activity #510 - Equipment Expense-Direct and Account #747 - Tires and Tubes for various applicable pieces of road equipment. Methods for tire proration can be found elsewhere in this manual under Equipment Accounting. Other methods for the distribution of these charges are also acceptable.

**Interest Income** - To include interest on cash accounts for the last month of the fiscal year if not recorded during the month-end closing. All other investments that extend beyond the fiscal year such as certificates of deposit should be reviewed and interest accrued for earnings within the fiscal year being closed.

**Inventory Adjustments** - Adjustments to Activity #514 - Distributive Expense-Other and Account #791 - Inventory Adjustments must be made to balance general ledger Account #109 - Road Materials and to reflect the year-end physical inventory of road materials. Adjustments to Activity #511 - Equipment Expense-Indirect and Account #110 - Equipment Materials and Parts must be made to balance general ledger Account #110 - Equipment Materials and Parts and to reflect the year-end physical inventory of parts. If cycle inventories are being performed on a monthly basis, the same adjustments would be applicable at the end of each month.

**Spread Fringe** - To close out or credit Activity #513 - Distributive Expense-Fringe, Account #724 - Fringe Benefits and distribute charges back to various activity centers where labor occurred. Hopefully, the computer software spreads the amounts automatically by the month based on an estimated fringe benefit rate or prior year's rate and only an automatic respread to adjust for the actual current year's rate will be necessary at year end.

**Spread Overhead** - To close out Activity #514 - Distributive Expense-Overhead, Account #967 - Overhead-Other and distribute back to various maintenance activity centers. Hopefully, the computer software spreads these amounts automatically by the month based on an estimated fringe benefit rate or prior year's rate and only an automatic respread to adjust for the actual current year's rate will be necessary at year-end.

## UNIFORM ACCOUNTING PROCEDURES

### YEAR-END CLOSING (Continued)

**Close Equipment Expense and Equipment Rental** - To close out equipment expenses and equipment rental, debit Account #669 - Equipment Rental Credits and credit the balances for Activities #510 - Equipment Expense-Direct, #511 - Equipment Expense-Indirect, and #512 - Equipment Expense-Operating. The difference will be debited or credited to Account #670 - Gain or Loss on Equipment Usage.

**Federal and State Aid Adjustments** - To record any final adjustments for project estimates that may have arrived after the close of the last month of the fiscal year. Examples for year-end balancing of Account #125 - Deferred Expense-Federal Aid and Account #128 - Deferred Expense-State Aid are included in the Federal Aid section of this manual.

**Deferred Compensation to Employees Deferred Compensation Fund** - To record changes in Fund #726 - Employees Deferred Compensation Fund to reflect contributions for the year (may not be applicable due to changes in deferred compensation reporting) by debiting Account #016 - Deposits with Deferred Compensation Fiscal Agent and crediting Account #344 - Deferred Compensation Payable.

**Disposal of Assets to Capital Asset Account Group** - To record changes in Fund #901 - Capital Asset Account Group for asset disposal, debit Accounts #137, #139, #141, #143, #145, #147, or #149 - Accumulated Depreciation as needed for removal of the depreciation accumulated to date. Credit Accounts #136 - Buildings and Improvements, #138 - Equipment Road, #140 - Equipment Shop, #142 - Equipment Engineering, #144 - Equipment Yard and Storage, #146 - Office Equipment and Furniture, or #148 - Vehicles, as needed to remove the purchase price. Debit Account #399 - Investment in Capital Assets to offset the difference between accumulated depreciation and the purchase price recorded in the Capital Asset Account Group.

**Depreciation to Capital Asset Account Group** - To record changes in Fund #901 - Capital Asset Account Group for the current year's depreciation, debit Account #399 - Investment in Capital Assets and Credit Accounts #137, #139, #141, #143, #145, #147, and #149 - Accumulated Depreciation, as needed.

**Capital Outlay to Capital Asset Account Group** - To record capital outlay expenditures for the fiscal year to Fund #901 - Capital Asset Account Group, debit Accounts #136 - Buildings and Improvements, #138 - Equipment Road, #140 - Equipment Shop, #142 - Equipment Engineering, #144 - Equipment Yard and Storage, #146 - Office Equipment and Furniture, or #148 - Vehicles, as needed.

## UNIFORM ACCOUNTING PROCEDURES

### YEAR-END CLOSING (Continued)

**Debt Service to General Long-Term Debt Account Group** - To record debt service payments for the fiscal year to Fund #951 - General Long-Term Debt Account Group, debit Account #300 - Bonds Payable or Account #304 - Notes Payable and credit Account #186 - Amount to be Provided for Payment of Debt Principal. Be sure to transfer only principal amounts to the Long-Term Debt Group. Interest will need to be accounted for separately in the Road Fund Debt Service Accounts to simplify recording of the principal in these accounts at year-end.

**Vested Vacation and Sick Leave to General Long-Term Debt Account Group** - To record vested vacation and sick leave values to Fund #951 - General Long-Term Debt Account Group, debit values due employees for vacation and sick leave to Account #195 - Amount to be Provided for Accumulated Vacation and Sick Leave and credit Account #343 - Accrued Vacation and Sick Leave Payable. Most auditors will require the road commission to record 100% of the vacation to be paid in the following fiscal year and sick leave at the percent to be paid at retirement.

All revenues and expenditures will be closed to Account #390 - Fund Balance. Only assets and liabilities will be transferred to the new year.

**In the final calculation of year-end balances, the sum of assets less liabilities must equal the sum of revenues less expenditures and that amount represents the total Account #390 - Fund Balance.** The 201 Fund Balance will be allocated to subsidiary fund balance Accounts #390.01 - Primary Road Funds, #390.02 - Local Road Fund, or #390.03 - County Road Fund through processes as designated in the instructions for Act 51 reporting.



[Link to 3 page Year-End Closing Entries](#)

## **UNIFORM ACCOUNTING PROCEDURES**

### **ACT 51 REPORTING**

The proper format for financial statements of county road commissions is provided in the Michigan Department of Transportation's Act 51 Report required at the end of the fiscal year. The Uniform Accounting Procedures Manual for County Road Commissions prescribes accounts and accounting procedures which are generally accepted accounting principles for county road commissions in Michigan.

A CD, including instructions for submitting the Act 51 Financial Report, will be provided by MDOT for completion by the road commission. The report includes financial statements and supporting schedules. Printing off the blank report and penciling in numbers to balance the Act 51 form in its entirety before initial data entry into the software is suggested as all information is to be input via the internet connection.

The first step in processing the Act 51 Report will be to complete the supporting schedules for fringe and overhead calculation to provide actual rates for year-end closing entries. Total costs for computing overhead amounts must include fringe rates for the current year. To override calculations, check the override button at the top of the form and enter the new figures in place of the calculated totals. If no override button is provided, you must use the calculated amounts provided.

The percentage of beginning fund balance for primary, local, and county, from the prior year's Act 51 report, should be used to report the Interest Earned Revenue. The percentage of Michigan Transportation Fund allocation for primary and local should be used to report the MTF Engineering Revenue. Township contribution revenue should be reported as primary or local depending on the road being addressed (this can be accomplished with a spreadsheet or by pointing off the activity number). The number for Equipment Retirements on the Schedule of Capital Outlay page should represent the net book value of equipment disposed.

Only after the closing of accounts has taken place and a fund balance determined through some method (such as a spreadsheet as illustrated in the "Year End Closing" section of this manual), should completion of the remaining Act 51 supporting schedules and financial statements begin.

While working through the supporting schedules, many numbers will be transferred automatically through the Act 51 software program to the appropriate blanks on the financial statements and the logic of the entire report will begin to take shape. If all numbers are correct on the report, the fund balance on the Act 51 Report will equal that on the year-end closing spreadsheet.

## UNIFORM ACCOUNTING PROCEDURES

### ACT 51 REPORTING (Continued)

The Act 51 Report is to be entered via internet into MDOT's computer system. Applicable due dates will also be provided by the Michigan Department of Transportation.

**YOU MUST CERTIFY THE ANNUAL REPORT BEFORE MDOT WILL BE NOTIFIED THAT YOUR ACT 51 FINANCIAL REPORT IS COMPLETE AND READY FOR THEIR REVIEW. ONCE THE REPORT HAS BEEN CERTIFIED, YOU CANNOT MAKE ANY CHANGES TO THE REPORT; HOWEVER, YOU CAN STILL PRINT THE REPORT.**

### APPLICATION OF GASB STATEMENT NO. 34, BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

This section addresses the conversion from the modified accrual basis of accounting to the economic resource measurement focus and the full accrual basis of accounting.

GASB 34 requires the following additional reporting items:

1. Management's Discussion and Analysis (MD&A)
2. Infrastructure Reporting
3. Basic Financial Statements - Government-Wide Financial Statements
  - Statement of Net Assets
  - Statement of Activities
  - Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets
  - Reconciliation of the Statement of Revenues, Expenditures and Changes in Balance Fund of Governmental Funds to the Statement of Activities
4. Required Supplementary Information Other Than MD&A
  - Budgetary Comparison Including Original Budget and Final Amended Budget

Included in this section are examples of typical adjusting entries for the conversion from the modified accrual basis of accounting to the economic resource measurement focus and the full accrual basis of accounting and examples of the above reporting requirements.

## **UNIFORM ACCOUNTING PROCEDURES**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management discussion and analysis (MD&A) is management's responsibility and is required supplementary information to be included before the basic financial statements in your audit report. The MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions or conditions. It should discuss the current year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. Governments are encouraged to use charts, graphs and tables to enhance the understandability of the information presented. GASB No. 34 is very specific on what is to be included in the MD&A. At a minimum (and maximum), the MD&A must cover the following 8 subparagraphs:

#### **1. Brief Discussion of the Basic Financial Statements**

Including the relations of the statements to each other and the significant differences in the information they provide.

#### **2. Condensed Government-Wide Financial Statements**

Including a comparison of the current year to the prior year. It must include these elements:

- a) Total assets, distinguishing between capital and other assets;
- b) Total liabilities, distinguishing between long-term liabilities and other liabilities;
- c) Total net assets: distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts;
- d) Program revenues, by major source;
- e) General revenues, by major source;
- f) Total revenues;
- g) Program expenses, at a minimum by function;
- h) Total expenses;
- i) Excess (deficiency) before special and extraordinary items and transfers;
- j) Contributions;
- k) Change in net assets; and
- l) Ending net assets.

Note: In the year of implementation, the comparative data is not required in the MD&A. However, a statement must be included that, in future years, comparative data will be presented.

You may use graphics to meet this requirement. The guidance tells us that while graphics are encouraged in the MD&A, the condensed summary information must still contain numbers.

#### **3. Analysis of Financial Position and Results of Operations**

An analysis of the government's overall financial position and results of operation is to be presented to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's operations. It should include reasons for significant changes from the prior year, not simply the amounts or percentages of change. Important economic factors, such as changes in the tax or employment bases that significantly affected operating results for the year, should also be discussed.

## **UNIFORM ACCOUNTING PROCEDURES**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

#### **4. Analysis of Fund Balances and Transactions**

The analysis should address the reasons for significant change in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources.

#### **5. Budget Variance Analysis**

An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results. The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.

Should focus on the large variances, but also make the effort to explain why spending less money than budgeted might not be a good thing.

#### **6. Capital Assets and Long-Term Debt Activity**

A description of significant capital assets and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the finances of planned facilities or services.

Changes in these two items need to be discussed; management needs to analyze why the changes occurred.

#### **7. Use of the Modified Approach with Infrastructure**

If the modified approach for reporting infrastructure is used, the following must be included:

- a) Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments;
- b) How the current assessed condition compares with the condition level the government has established; and
- c) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.

#### **8. Analysis of Currently Known Facts**

A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operation (revenues, expense and other changes in net assets).

An example of a MD&A, using the depreciation method of reporting infrastructure, can be found in Appendix B, page 260. If you use the modified approach, you will have to include the items listed in 7 above.

## **UNIFORM ACCOUNTING PROCEDURES**

### **INFRASTRUCTURE REPORTING**

#### **INTRODUCTION**

Capital assets are defined by GASB 34 as land and improvements, easements, buildings and improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure assets are long-lived capital assets that normally are stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to property or access to property.

The purpose of this statement is to address issues surrounding infrastructure reporting of assets by county road commissions in the State of Michigan.

#### **Effective Dates**

All governmental entities must adopt the financial statement reporting model and prospective reporting of infrastructure for periods beginning after June 15, of either year 2001, 2002, or 2003 depending upon the size of their revenues for the base year, with the larger entities (based on revenues) adopting first (2001). Revenues include all revenues (not other financing sources) of the primary government's governmental and enterprise funds, except for extraordinary items. If a primary government (county) chooses early implementation, all of its component units (which includes the county road commission) also should implement this standard early to provide the financial information required for the government-wide financial statements.

Prospective reporting of general infrastructure assets in the statement of net assets is required beginning at the effective dates of GASB 34. Retroactive reporting of all major general infrastructure assets is encouraged at that date. Phase 1 governments, as described in paragraph 143, should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2005. Phase 2 governments should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. Phase 3 governments are encouraged, but are not required, to report major general infrastructure assets retroactively. All phases of government are required to include all prospective infrastructure assets.

## **UNIFORM ACCOUNTING PROCEDURES**

### **INFRASTRUCTURE REPORTING (Continued)**

Major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 must be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. This requirement applies to all government entities with \$10 million or more in revenues during their base year, which is the first fiscal year ending after June 15, 1999.

#### **Retroactive Capitalization**

Retroactive capitalization means that major infrastructure assets on hand at the date of implementation of GASB Statement No. 34 must be inventoried, recorded as capital assets in the accounts, and reported in the statement of net assets. Prospective capitalization of general infrastructure assets means that from the GASB Statement No. 34 implementation date forward, all such assets must be capitalized in the accounts and reported in the statement of net assets.

#### **INFRASTRUCTURE ASSET REPORTING**

GASB 34 allows two approaches for infrastructure asset reporting, the "depreciation method" and the "modified approach." GASB 34 requires the use of depreciation reporting for infrastructure assets where the modified approach cannot be used in reporting infrastructure assets.

Infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated, as long as the following two requirements are met:

1. The government must manage the eligible infrastructure assets using an asset management system that has specific characteristics:
  - a) Have an up-to-date inventory of eligible infrastructure assets;
  - b) Perform condition assessments of eligible infrastructure assets and summarize the results using a measurement scale (condition assessments are required once every three years on subsystems); and
  - c) Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.
2. The unit of government documents that the assets are being preserved at or above a condition level established by the government.

Most road commissions in the State of Michigan do not meet both criteria noted above to use the modified approach. Therefore, the county road commissions must use the depreciation method for infrastructure assets with the following guidelines when the modified approach criteria are not fulfilled. Please note that these are guidelines that may vary depending on the region of the State, the weather, or other factors.

## UNIFORM ACCOUNTING PROCEDURES

### INFRASTRUCTURE REPORTING (Continued)

#### **Life in years for depreciation: (straight life depreciation)**

##### Roads

Seal Coat	5 years
Gravel Surface	8 years
Asphalt Surface	20 years
Concrete Surface	30 years

Traffic Signals	15 years
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##### Bridges

Timber Bridge	25 years
Timber Redecking	12 years
Metal Structure Bridge	30 years
Concrete Bridge	50 years
Concrete Redecking	25 years
Movable Bridge	50 years

Bridge invoices are received for many years following the completion of the bridge; therefore, they are to be reported by subaccount in the capital assets and depreciated over the remaining years of the original depreciation schedule. For example, a concrete bridge opened in year 2001 would have 2001 costs depreciated over 50 years. Invoices received in year 2002 would be depreciated over the remaining 49 years, etc.

Initial installation of guard rail and traffic signs will be included with the project cost. All other guardrail and traffic sign work will be included in routine maintenance.

Purchase of land for roadway or right-of-way will be set up in a separate capital asset account, by year, which will not be depreciated. This information **MUST** be included from 1980 to present. Any purchase of land or right-of-way prior to 1980, for which the road commission has documentation of purchase price, should be included.

Land improvements (including excavation, ditching, grading, tree removal, and subgrade preparation) are to be recorded as capital assets, by year, and will not be depreciated.

Use 1999 or 2000 project data for your road commission to arrive at a percentage of projects normally included as land improvements and apply this percentage to all years prior to current year. Use actual data from date of implementation forward.

All bridges **MUST** be included in the capital asset schedule.



## **UNIFORM ACCOUNTING PROCEDURES**

### **INFRASTRUCTURE REPORTING (Continued)**

All traffic signals **MUST** be included in the capital asset schedule.

All roads under the jurisdiction of the road commission constructed by a developer or under special assessment must have the cost included in the capital asset group and the offsetting revenue account will be "Other Contributions." These roads are to be split the same as roads constructed by the road commission separating land/right-of-way purchase, land improvements, and depreciable road costs. This process is to commence with 1980 roads.

#### **CLARIFICATION OF DEFINITIONS TO BE USED IN INFRASTRUCTURE REPORTING:**

1. Land/Right-of-Way Purchase. (Capitalized)
  - a) Actual cash expenditure for acquisition of land or right-of-way for road purposes.
  - b) Actual cost of work-in-kind exchange for acquisition of land or right-of-way for road purposes.
2. Land Improvements (construction and/or reconstruction projects). (Capitalized)
  - a) Excavation, ditching, grading (lane widened portion and/or elevation change only), tree removal, subgrade preparation of land in preparation for new roadway only.
3. Construction. (Capitalized)
  - a) Totally new road where no road previously existed.
  - b) Addition of lanes to existing roadway, only additional lanes are considered construction. All other project work would be classified as reconstruction or heavy maintenance.
4. Reconstruction. (Capitalized)
  - a) Change to vertical or horizontal curve of roadway including new surface of the changed roadway.
5. Heavy Maintenance. (Capitalized)
  - a) Improvement to existing roadway including drainage structures, surface, hard surface of gravel roadway and resurfacing of roadway.
6. Routine Maintenance. (Capitalized)
  - a) All roadwork which does not fit the category of construction, reconstruction, or heavy maintenance.
7. Timber Bridge. (Capitalized)
  - a) Bridges constructed from timber with a 20 foot or more clear span length crossing a drain, stream or dry gully.

## **UNIFORM ACCOUNTING PROCEDURES**

### **INFRASTRUCTURE REPORTING (Continued)**

8. Metal Structure Bridge. (Capitalized)
  - a) Metal culvert or multi-plate arch structure with a 20 foot or more clear span length allowing for water to cross a drain, stream or dry gully.
9. Concrete Bridge. (Capitalized)
  - a) Concrete constructed structure with a 20 foot or more clear span length crossing a drain, stream or dry gully. This includes concrete I-beam with concrete deck, steel I-beam with concrete deck, Jack arch (steel I-beam with metal arches and concrete deck), concrete slab on metal sheeting, precast concrete arch, concrete box beam with concrete deck, and concrete box beam with bituminous deck.
10. Movable Bridge. (Capitalized)
  - a) Bascule, lift, or rotating structure with a 20 foot or more clear span length crossing a drain, stream, or dry gully.

### **CAPITAL ASSET ACCOUNTS:**

- 130 Land
  - .01 Land owned by the Road Commission
  - .02 Land/Right-of-Way Purchases (nondepreciating) to be recorded by year (roadway preparation)
- 131 Land Improvements (nondepreciating) to be recorded by year
- 150 Open
- 151 Open
- 156 Bridges (depreciating) to be recorded by year and subaccount by type
  - .01 Timber - 25 years - 4% per year  
Timber redecking - 12 years - 8.3% per year
  - .02 Metal - 30 years - 3.3% per year
  - .03 Concrete - 50 years - 2% per year  
Concrete redecking - 25 years - 4% per year
  - .04 Movable - 50 years - 2% per year
- 157 Accumulated Depreciation - Bridges
  - .01 Timber
  - .02 Metal
  - .03 Concrete
  - .04 Movable

## UNIFORM ACCOUNTING PROCEDURES

### INFRASTRUCTURE REPORTING (Continued)

- 159 Roads (depreciating) to be recorded by year and subaccount by type
  - .01 Seal Coat - 5 years - 20% per year
  - .02 Gravel - 8 years - 12.5% per year
  - .03 Asphalt - 20 years - 5% per year
  - .04 Concrete - 30 years - 3.3% per year
- 160 Accumulated Depreciation - Roads
  - .01 Seal Coat
  - .02 Gravel
  - .03 Asphalt
  - .04 Concrete
- 161 Traffic Signals (depreciating) to be recorded by signal - 15 years - 6.7% per year
- 162 Accumulated Depreciation - Traffic Signals

All depreciated road commission capital assets are to be removed from the capital asset group and depreciation group at the time the individually recorded capital asset item has been fully depreciated. For example, the 1980 Seal Coat road capital asset group would be removed from capital asset account with the depreciation account in 1986, as it would be fully depreciated; however, all remaining 1980 recorded infrastructure assets would remain as they would not be fully depreciated. Fully depreciated bridges and traffic signals are to be removed from the capital asset group only when they have been replaced or removed from the road system.

#### **IMPLEMENTATION:**

1. The road commission should look up all recorded deeds for purchase of land and/or right-of-way to record as capital asset expense.
2. Calculate land improvement cost percentage from 1999 or 2000 projects using actual data. Apply this percentage to construction and heavy maintenance expenditures listed in 1980 to present Act 51 Financial Report data and record as capital assets by year. From the current year forward, use actual expenditure for land improvements on construction and heavy maintenance projects.
3. Road heavy maintenance and construction expenditures (less land improvement costs) as taken from the Act 51 Financial Reports should be recorded as capital assets by year. This number is to be split into category by percentage using actual miles for each year or using actual data, if available. Once the capital asset by year and subaccount has been determined, the depreciation factor must be applied up to the implementation date to record accumulated depreciation.

## UNIFORM ACCOUNTING PROCEDURES

### INFRASTRUCTURE REPORTING (Continued)

4. Traffic signals are to be recorded at original placement cost, by signal, and the depreciation factor is to be applied up to the implementation date. Signals are to remain as capital assets until they are removed or replaced. If they are removed or replaced prior to being fully depreciated, they are to be considered equipment capital assets recorded as gain or loss on disposal.
5. Bridge capitalization amounts are to be taken from the bridge inventory in your engineering department and are to be recorded by subaccount and bridge. Year of construction can be obtained from the bridge inventory data. These are to be recorded at their original cost and depreciated up to current year. Bridges are to remain as capital assets until they are removed or replaced. If they are removed or replaced prior to being fully depreciated, they are to be considered equipment capital assets recorded as gain or loss on disposal.

The following account numbers may be used to record capital assets. **[SAMPLES ONLY]**

#### Capital Expenditure Accounts

900	971	Land
900	972	Infrastructure Land Improvements from Private Donations (subdivision streets, etc.)
900	973	Infrastructure Right-of-Way Purchases
900	974	Infrastructure Land Improvements from County Work (Construction and Heavy Maintenance Expenditures)
900	975	Buildings
900	976	Road Equipment
900	977	Shop Equipment
900	978	Engineering Equipment
900	979	Yard and Storage
900	980	Office Equipment
900	981	Bridges (Construction and Heavy Maintenance Expenditures)
900	982	Traffic Signals
900	983	
900	984	
900	985	Depletable Infrastructure from County Work
900	986	Depletable Infrastructure from Private Donations
900	987	Depletable Assets - Gravel Pits

**SAMPLE COUNTY ROAD COMMISSION**  
**STATEMENT OF NET ASSETS**  
**December 31, 20XX**

<b><u>Assets</u></b>	
Cash	\$ 102,349
Investments	1,385,494
Accounts Receivable	
Taxes	1,899,271
Due on Special Assessments	50,000
Sundry Accounts	2,452
State--Trunkline Maintenance	99,723
Michigan Transportation Fund	1,259,722
State--Other	50,715
Due on County Road Agreements	682,765
Due From County	82,454
Inventories	
Road Materials	264,459
Equipment Parts and Materials	249,508
Prepaid Expenses	91,209
Deferred Expenses	62,697
Capital Assets (Net of Accumulated Depreciation)	<u>15,537,939</u>
Total Assets	<u>21,820,757</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities	
Accounts Payable	706,676
Due to State of Michigan	245,977
Accrued Liabilities	100,537
Performance Bonds Payable	25,239
Due to Townships	2,855
Bonds Payable	30,000
Installment Purchase Agreements Payable	94,400
Non-Current Liabilities	
Advance From State	302,434
Bonds Payable	65,000
Installment Purchase Agreements Payable	373,871
Vested Employee Benefits Payable	<u>338,613</u>
Total Liabilities	<u>2,285,602</u>
Investment in Capital Fixed Assets	
Net of Related Debt	15,024,668
Restricted for County Roads	<u>4,510,488</u>
Total Net Assets	<u><u>\$ 19,535,156</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**SAMPLE COUNTY ROAD COMMISSION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 20XX**

Program Expenses	
Primary Road Maintenance	\$ 1,326,115
Local Road Maintenance	4,381,284
State Trunkline	1,459,317
Net Equipment Expense	213,222
Net Administrative Expense	585,671
Compensated Absences	16,695
Interest Expense	<u>33,503</u>
Total Program Expenses	<u>8,015,807</u>
Program Revenue	
License and Permits	23,971
Federal Grants	321,400
State Grants	8,433,301
Contributions From Local Units	6,190,563
Reimbursements	356
Investment Earnings	117,236
Charges for Services	<u>1,489,445</u>
Total Program Revenue	<u>16,576,272</u>
Net Program Revenue	<u>8,560,465</u>
General Revenue	
Taxes	1,899,271
Gain on Equipment Disposal	183,760
Transfers In--Primary Government	<u>82,454</u>
Total General Revenues and Transfers In	<u>2,165,485</u>
Change in Net Assets	10,725,950
Net Assets Beginning of Year	<u>8,809,206</u>
End of Year	<u><u>\$ 19,535,156</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**SAMPLE COUNTY ROAD COMMISSION**  
**RECONCILIATION OF THE BALANCE SHEET FUND BALANCE**  
**TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended December 31, 20XX**

Total Government Fund Balance (\$2,034,796.02+233,417.55+\$681,616.47)	\$ 2,949,830
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (\$11,315,086.98+\$11,148,142.56-\$6,925,290.07)	15,537,939
--	------------

Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. (\$30,000+\$94,400+\$65,000+\$373,871+\$338,613)	(901,884)
---	-----------

The 20XX tax levy is not considered "available" in governmental funds, but is considered earned and is recognized as revenue in the Statement of Activities.	1,899,271
--	-----------

Deferred revenue is not available to pay for current period expenditures and therefore are not reported in the funds.	<u>50,000</u>
---	---------------

Net Assets of Governmental Activities (\$15,024,667.98+\$4,510,487.95)	<u><u>\$ 19,535,156</u></u>
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**The Notes to Financial Statements are an integral part of this statement.**





**SAMPLE COUNTY ROAD COMMISSION**  
**REVENUE WORKSHEET**  
**Fund #201: County Road Fund**  
**FYE 12/31/X2**

Account Name	Modified Actual Method	AE	GASB 34 Adjustments	GASB 34 Full Accrual Method
Property Taxes	\$ 1,737,203.77	7	\$(1,737,203.77)	
		7	1,899,270.82	\$ 1,899,270.82
LICENSES AND PERMITS				
Permits	23,971.58			23,971.58
FEDERAL GRANTS				
Critical Bridge	92,013.76			92,013.76
Surface Transportation Program	77,316.84			77,316.84
Economic Development D Funds--Contracted	112,313.50			112,313.50
FEMA	39,755.82			39,755.82
STATE GRANTS				
Michigan Transportation Fund				
Engineering	10,000.00			10,000.00
Primary Urban Road	4,498,305.69			4,498,305.69
Local Urban Road	2,995,595.78			2,995,595.78
Primary Allocation Road	119,831.82			119,831.82
Local Allocation Road	43,949.56			43,949.56
Snow Removal	114,197.53			114,197.53
Critical Bridge	17,252.58			17,252.58
Economic Development Fund				
Forest Road Funds (E)	110,773.50			110,773.50
Urban Area (F)	523,395.16			523,395.16
CONTRIBUTIONS FROM LOCAL UNITS				
Cities and Villages				
Townships	6,190,562.57			6,190,562.57
CHARGES FOR SERVICES				
State Trunkline Maintenance	1,159,317.00			1,159,317.00
State Trunkline Non-Maintenance	300,000.00			300,000.00
Other	27,053.26			27,053.26
Salvage Sales	3,075.20			3,075.20
INTEREST AND RENTS				
Interest Earned	112,236.05	8	5,000.00	117,236.05
OTHER REVENUE				
Special Assessments	150,000.00	8	(150,000.00)	
Reimbursements and Refunds	355.63			355.63
Gain/(Loss) on Equipment Disposal	183,759.81			183,759.81
OTHER FINANCING SOURCES				
Installment Lease Proceeds	285,600.00	4b	(285,600.00)	
Operating Transfers in From Primary Government	82,453.80			82,453.80
TOTAL REVENUES	\$19,010,290.21		\$ (268,532.95)	\$ 18,741,757.26

**SAMPLE COUNTY ROAD COMMISSION**  
**EXPENDITURE WORKSHEET**  
**Fund #201: County Road Fund**  
**FYE 12/31/X2**

Account Name	Modified Actual Method	AE	GASB 34 Adjustments	GASB 34 Full Accrual Method
Primary Road				
Construction				
Heavy Maintenance	\$ 4,726,732.89	6	\$ (4,726,732.89)	
Maintenance	1,320,694.11			\$ 1,320,694.11
Local Road				
Construction				
Heavy Maintenance	6,284,395.65	6	(6,284,395.65)	
Maintenance	4,372,860.67			4,372,860.67
Primary Road Structures				
Heavy Maintenance				
Maintenance	5,421.11			5,421.11
Local Road Structures				
Heavy Maintenance	137,014.02	6	(137,014.02)	
Maintenance	8,423.45			8,423.45
State Trunkline Maintenance	1,159,317.00			1,159,317.00
State Trunkline Non-Maintenance	300,000.00			300,000.00
Private Driveway Plowing				
Equipment Expense--Net	213,221.70			213,221.70
Administrative Expense--Net	585,670.75			585,670.75
COMPENSATED ABSENCES		5a	16,694.91	16,694.91
Capital Outlay--Net				
Capital Outlay	1,090,807.05	1a	(1,090,807.05)	
Less: Depreciation and Depletion	(1,003,991.52)	2	1,003,991.52	
Equipment Retirements	(55,140.19)	3	55,140.19	
Debt Principal Payments	327,627.23	4a	(327,627.23)	
Interest Expense	33,503.25			33,503.25
<b>TOTAL EXPENDITURES</b>	<b>\$ 19,506,557.17</b>		<b>\$(11,490,750.22)</b>	<b>\$ 8,015,806.95</b>

**SAMPLE COUNTY ROAD COMMISSION**  
**ADJUSTING ENTRIES IN ACCORDANCE WITH GASB 34**  
**FYE December 31, 20X1**

The following entries are to be made on a worksheet only. They are not meant to be booked into your accounting system.

AE #	ACCT DESCRIPTION	DEBIT	CREDIT
<b>1. To Record Capital Assets</b>			
	Capital Assets (Beginning of Year Balance)	\$ 11,233,194.19	
	Accumulated Depreciation (Beginning Balance)		\$ 6,875,072.62
	Net Assets (Beginning of Year)		\$ 4,358,121.57
	Capital Assets (Beginning of Year Balance) -- Infrastructure		
	Accumulated Depreciation (Beginning Balance)		
	Net Assets (Beginning of Year)		
PUT BEGINNING BALANCES INTO OPERATING "FUND"			
1a.	Capital Assets (Current Year Additions)--Various Accounts	\$ 1,090,807.05	
900	Capital Outlay Expenditures		\$ 1,090,807.05
TO REVERSE OUT CAPITAL OUTLAY EXPENDITURES; TO ELIMINATE "INVESTMENT IN FIXED ASSETS" ACCOUNT(S)			
<b>2. To Record Depreciation Expense</b>			
690	Depreciation Expense--Assets Other Than Infrastructure	\$ 1,003,991.52	
	Accumulated Depreciation		\$ 1,003,991.52
690.1	Depreciation Expense--Infrastructure		
	Accumulated Depreciation		
TO REMOVE THE CREDIT TO DEPRECIATION AND TO LEAVE THE ALREADY BOOKED DEPRECIATION BOOKED IN THE "500" ACTIVITIES AND TO BOOK DEPRECIATION FOR INFRASTRUCTURE			
<b>3. To Record Sale of Capital Assets</b>			
	Accumulated Depreciation of Disposed Assets	\$ 953,774.07	
	Capital Assets (of Disposed Assets)		\$ 1,008,914.26
689	Equipment Retirements	\$ 55,140.19	
TO BOOK DEPRECIATION AND REMOVE EQUIPMENT RETIREMENTS			
<b>4. Bond or Other Indebtedness</b>			
	Net Assets (Beginning of Year)	\$ 605,298.72	
300	Bonds Payable (Beginning of Year)		\$ 120,000.00
304	Installment Purchase Agreements Payable		\$ 485,298.72
PUT BEGINNING BALANCES INTO OPERATING "FUND"			
4a.	300 Bonds Payable (Current Year Activity)	\$ 25,000.00	
	304 Installment Purchase Agreements Payable	\$ 302,627.23	
	991 Debt Service--Principal (Current Year Activity)		\$ 327,627.23
RECORD CURRENT YEAR PRINCIPAL AS A REDUCTION TO RELATED PAYABLE			
4b.	304 Lease Purchase Payable		\$ 285,600.00
	697 Installment Lease Proceeds	\$ 285,600.00	
REVERSE CURRENT YEAR PROCEEDS AND RECORD PAYABLE (New Debt)			
4c.	Net Assets (Beginning of Year)	\$ -	
995	Interest Expense		\$ -
265	Interest Payable		\$ -
RECORD CURRENT INTEREST PAYABLE ON DEBT PAYMENTS THAT ARE PAID PRIOR TO THE YEAR END THAT HAVE ACCRUED INTEREST			
<b>5. Employee Compensated Absences</b>			
	Net Assets (Beginning of Year)	\$ 321,918.00	
343	Compensated Absences Liability (Beginning of Year)		\$ 321,918.00
	Compensated Absences Expense--GASB 34 Line-Item Only	\$ 16,694.91	
343	Compensated Absences Liability (Current Year Increase/Decrease in Liability)		\$ 16,694.91

**SAMPLE COUNTY ROAD COMMISSION**  
**ADJUSTING ENTRIES IN ACCORDANCE WITH GASB 34 (Continued)**  
**FYE December 31, 20X1**

AE #	ACCT DESCRIPTION	DEBIT	CREDIT
<b>6. Construction and Heavy Maintenance</b>			
	Capital Assets--Infrastructure (Current Year Activity)	\$ 11,148,142.56	
451	Primary Construction		\$ -
458	Primary Heavy Maintenance		\$ 4,726,732.89
481	Local Construction		\$ -
488	Local Heavy Maintenance		\$ 6,284,395.65
460	Primary Structure--Heavy Maintenance		\$ -
490	Local Structure--Heavy Maintenance		\$ 137,014.02
TO BOOK INFRASTRUCTURE ADDITIONS			
<b>7. Taxes Receivable</b>			
403	Current Taxes--20X1 Collections	\$ 1,737,203.77	
	Net Assets		\$ 1,737,203.77
To Record Taxes Receivable at 12/31/X0			
339	Deferred Revenue	\$ 1,899,270.82	
403	Current Taxes--20X1 Levy		\$ 1,899,270.82
RECOGNIZE TAXES RECEIVED IN 20X1 FOR THE 20X0 LEVY IN THE PRIOR YEAR AND TO RECOGNIZE 20X1 TAX LEVY AS CURRENT TAXES IN 20X1.			
<b>8. Special Assessment</b>			
For Special Assessments, Assessed in Prior Years			
339	Deferred Revenue--Special Assessments	\$ 50,000.00	
672	Special Assessment Revenue	\$ 150,000.00	
665	Interest on Special Assessments		\$ 5,000.00
	Net Assets		\$ 195,000.00
<b>8a. Remove Deferred Revenue for Items Already Earned</b>			
339	Deferred Revenue--Township Bond	\$ -	
	Net Assets		\$ -
<b>9. To Eliminate Fund Balance to Net Assets</b>			
390.01	Fund Balance--Primary	\$ 2,034,796.02	
390.02	Fund Balance--Local	\$ 233,417.55	
390.03	Fund Balance--County Road	\$ 681,616.47	
	Net Assets		\$ 2,949,830.04
		\$ 33,828,493.07	\$ 33,828,493.07

**SAMPLE COUNTY ROAD COMMISSION**  
**WORKING TRIAL BALANCE (WP 201 - TB)**  
**FYE 12/31/X1**

		AE #1	AE #1a	AE #2	AE #3	AE #4	
Acct No.	Account Number	Balance Sheet 12/31/X1	Record Beginning Fixed Assets	Current Capital Outlay Conversion to Full Accrual Method	Modify Depreciation Expense to Full Accrual Method	Recognize Equipment Disposals to Full Accrual Method	Record Beginning Long-Term Debt
	Cash	102,248.76					
003	Investments	1,385,494.16					
004	Imprest Cash	100.00					
008	Imprest Cash--Wire Transfer Account	0.00					
020	Taxes Receivable	1,899,270.82					
040	Accounts Receivable--Sundry	2,452.06					
045	Due on Special Assessments	50,000.00					
	Accounts Receivable						
078.1	State Trunkline Maintenance	99,723.00					
078.3	MTF	1,259,721.98					
078.2	State--Other	50,715.36					
079	Due From Federal						
080	Due From Townships (Road Agreements)	682,764.98					
084	Due From Other Funds--Primary Government	82,453.80					
109	Inventory--Road Materials	264,459.46					
110	Inventory--Equipment Materials and Parts	249,507.75					
123	Prepaid Expenses	91,209.04					
125	Deferred Expense--Federal Aid Projects	62,697.31					
	<b>Property, Plant, and Equipment</b>						
130-	Capital Assets		11,233,194.19	1,090,807.05		(1,008,914.26)	
162	Infrastructure						
	Accumulated Depreciation		(6,875,072.62)		(1,003,991.52)	953,774.07	
202	Accounts Payable	(706,676.02)					
210	Contractor Payable						
215	Due to Townships	(2,854.50)					
228	Due to State	(245,976.92)					
246	Advances--Townships						
257	Accrued Wages Payable	(100,537.26)					
265	Interest Payable						
283	Performance Bonds Payable	(25,238.92)					
328.1	State Trunkline Equipment Purchase Advance	(204,225.00)					
328.2	State Trunkline Maintenance Advance	(98,209.00)					
339	Deferred Revenue--Forest Road Funds						
339	Deferred Revenue--Property Taxes	(1,899,270.82)					
339	Deferred Revenue--Special Assessments	(50,000.00)					
	<b>Long-Term Debt</b>						
300	Bonds Payable						(120,000.00)
304	Installment Purchase Agreement						(485,298.72)
343	Vested Employee Benefits						
	Fund Balances--After Closing Entries						
390.01	Fund Balance--Primary Road	(2,034,796.02)					
390.02	Fund Balance--Local Road	(233,417.55)					
390.03	Fund Balance--County Road Commission	(681,616.47)					
	<b>Net Assets</b>						
	Investment in Capital Assets--Net of Related Debt Restricted		(4,358,121.57)	(1,090,807.05)	1,003,991.52	55,140.19	605,298.72
	Column Total	0	-	-	-	-	-
	The entries below are related to the impact on the revenues and expenses from the above entries:						
400	REVENUE CONTROL	(19,010,290.21)					
700	EXPENDITURE CONTROL	19,506,557.17		(1,090,807.05)	1,003,991.52	55,140.19	
	<b>Net Excess Revenues Over (Under) Expenses</b>	496,266.96	(0.00)	(1,090,807.05)	1,003,991.52	55,140.19	0.00

**SAMPLE COUNTY ROAD COMMISSION**  
**WORKING TRIAL BALANCE (WP 201 - TB)**  
**FYE 12/31/X1 (Continued)**

Acct No.	Account Number	AE #4a Recognize Debt Payment in Full Accrual Method	ae #4b Record Current Year's Debt	ae #4b Record Interest Due Within One Year and	AE #5 Record Beginning Compensated Absense Payable	AE #5a Record Change in Compensated Absense Payable
	Cash					
003	Investments					
004	Imprest Cash					
008	Imprest Cash--Wire Transfer Account					
020	Taxes Receivable					
040	Accounts Receivable--Sundry					
045	Due on Special Assessments					
	Accounts Receivable					
078.1	State Trunkline Maintenance					
078.3	MTF					
078.2	State--Other					
079	Due From Federal					
080	Due From Townships (Road Agreements)					
084	Due From Other Funds--Primary Government					
109	Inventory--Road Materials					
110	Inventory--Equipment Materials and Parts					
123	Prepaid Expenses					
125	Deferred Expense--Federal Aid Projects					
	<b>Property, Plant, and Equipment</b>					
130-	Capital Assets					
162	Infrastructure					
	Accumulated Depreciation					
202	Accounts Payable					
210	Contractor Payable					
215	Due to Townships					
228	Due to State					
246	Advances--Townships					
257	Accrued Wages Payable					
265	Interest Payable					
283	Performance Bonds Payable					
328.1	State Trunkline Equipment Purchase Advance					
328.2	State Trunkline Maintenance Advance					
339	Deferred Revenue--Forest Road Funds					
339	Deferred Revenue--Property Taxes					
339	Deferred Revenue--Special Assessments					
	<b>Long-Term Debt</b>					
300	Bonds Payable	25,000.00				
304	Installment Purchase Agreement	302,627.23	(285,600.00)			
343	Vested Employee Benefits				(321,918.00)	(16,694.91)
	Fund Balances After Closing Entries					
390.01	Fund Balance--Primary Road					
390.02	Fund Balance--Local Road					
390.03	Fund Balance--County Road Commission					
	<b>Net Assets</b>					
	Investment in Capital Assets--Net of Related Debt	(327,627.23)	285,600.00			
	Restricted				321,918.00	16,694.91
	Column Total	-	-	-	-	-
	The entries below are related to the impact on the revenues and expenses from the above entries:					
400	REVENUE CONTROL		285,600.00			
700	EXPENDITURE CONTROL	(327,627.23)				16,694.91
	<b>Net Excess Revenues Over (Under) Expenses</b>	(327,627.23)	285,600.00	0.00	0.00	16,694.91

**SAMPLE COUNTY ROAD COMMISSION**  
**WORKING TRIAL BALANCE (WP 201 - TB)**  
**FYE 12/31/X1 (Continued)**

Acct No.	Account Number	AE #6 Record Current Year Infrastructure (Construction & Hvy Maint)	AE#7 Recognize 2001 Tax Levy and Reverse 2000 Collecitons	AE #8 Recognize Deferred Revenue Earnings	AE #9 Reclassify Ending Fund Balance to Net Assets Restricted	Ending Balance GASB 34
	Cash					102,248.76
003	Investments					1,385,494.16
004	Imprest Cash					100.00
008	Imprest Cash--Wire Transfer Account					0.00
020	Taxes Receivable					1,899,270.82
040	Accounts Receivable--Sundry					2,452.06
045	Due on Special Assessments					50,000.00
	Accounts Receivable					
078.1	State Trunkline Maintenance					99,723.00
078.3	MTF					1,259,721.98
078.2	State--Other					50,715.36
079	Due From Federal					0.00
080	Due From Townships (Road Agreements)					682,764.98
084	Due From Other Funds--Primary Government					82,453.80
109	Inventory--Road Materials					264,459.46
110	Inventory--Equipment Materials and Parts					249,507.75
123	Prepaid Expenses					91,209.04
125	Deferred Expense--Federal Aid Projects					62,697.31
	<b>Property, Plant, and Equipment</b>					
130-	Capital Assets					11,315,086.98
162	Infrastructure	11,148,142.56				11,148,142.56
	Accumulated Depreciation					(6,925,290.07)
202	Accounts Payable					(706,676.02)
210	Contractor Payable					0.00
215	Due to Townships					(2,854.50)
228	Due to State					(245,976.92)
246	Advances--Townships					0.00
257	Accrued Wages Payable					(100,537.26)
265	Interest Payable					0.00
283	Performance Bonds Payable					(25,238.92)
328.1	State Trunkline Equipment Purchase Advance					(204,225.00)
328.2	State Trunkline Maintenance Advance					(98,209.00)
339	Deferred Revenue--Forest Road Funds					0.00
339	Deferred Revenue--Property Taxes		1,899,270.82			0.00
339	Deferred Revenue--Special Assessments			50,000.00		0.00
	<b>Long-Term Debt</b>					
300	Bonds Payable					(95,000.00)
304	Installment Purchase Agreement					(468,271.49)
343	Vested Employee Benefits					(338,612.91)
	Fund Balances After Closing Entries					
390.01	Fund Balance--Primary Road				2,034,796.02	0.00
390.02	Fund Balance--Local Road				233,417.55	0.00
390.03	Fund Balance--County Road Commission				681,616.47	0.00
	<b>Net Assets</b>					
	Investment in Capital Assets--Net of Related Debt	(11,148,142.56)		(50,000.00)		(15,024,667.98)
	Restricted		(1,899,270.82)		(2,949,830.04)	(4,510,487.95)
	Column Total	-	-	-	-	-
	The entries below are related to the impact on the revenues and expenses from the above entries:					
400	REVENUE CONTROL		(1,899,270.82) 1,737,203.77	145,000.00	(18,741,757.26)	
700	EXPENDITURE CONTROL	(11,148,142.56)			8,015,806.95	
	<b>Net Excess Revenues Over (Under) Expenses</b>	(11,148,142.56)	(162,067.05)	145,000.00	(10,725,950.31)	

## **AUDITING PROCEDURES**

The audit must be performed by an independent certified public accountant registered with the Michigan State Board of Accountancy to practice in Michigan or by an employee of the Department of Treasury.

The audit of the financial records, accounts and procedures of all county road commissions shall be made in accordance with auditing standards generally accepted in the United States of America as approved and adopted by the membership of the American Institute of Certified Public Accountants in its Statements on Auditing Standards. However, if the county road commission requires a single audit, the financial records must be audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments." This statement changed the reporting model for all state and local governments.

All governmental entities must adopt the financial statement reporting model and prospective reporting of infrastructure for periods beginning after June 15, of either year 2001, 2002, or 2003. Depending upon the size of the primary government's revenues for the base year, with the larger entities (based on revenues) adopting first (2001). Revenues include all revenues (not other financing sources) of the primary government's governmental and enterprise funds, except for extraordinary items. If a primary government (*county*) chooses early implementation, all of its component units (*which includes the county road commission*) also should implement this standard early to provide the financial information required for the government-wide financial statements.

Audited financial statements of the road commission should be in the format of the Act 51 Report (with minor revisions) and reflect the accounts and accounting procedures outlined in the accounting manual. A manual "Bulletin for Audits of County Road Commissions in Michigan" is provided by the Department of Treasury, which provides more extensive guidelines. Separately issued road commission audit reports are to follow the guidelines for special purpose governments set forth in GASB 34, paragraphs 134-141. The county road commission should include the following information in their annual audited financial statements:

A. **Auditor's Report**--If the accountant's report on financial statements contains an opinion other than an unqualified opinion, the county road commission is required to make whatever changes are recommended by the independent certified public accountant, so that an unqualified opinion can be included in the next report on financial statements.

### **B. Management's Discussion and Analysis**

### **C. Basic Financial Statements**

#### **1. Government-Wide Financial Statements**

Accrual Basis of Accounting including Infrastructure Assets

- ☐ Statement of Net Assets
- ☐ Statement of Activities



## **AUDITING PROCEDURES (Continued)**

2. Governmental Funds--Modified Accrual Basis of Accounting
  - ☐ Balance Sheet
  - ☐ Statement of Revenues, Expenditures and Changes in Fund Balance
  - ☐ Reconciliation between the Government-Wide and Fund Financial Statements (If not part of the Notes to the Financial Statements)
3. Fiduciary Funds--Accrual Basis of Accounting (with a column for each Fiduciary Fund Type)
  - ☐ Statement of Fiduciary Net Assets
  - ☐ Statement of Changes in Fiduciary Net Assets

### **D. Notes to the Financial Statements**

### **E. Required Supplemental Information**

1. Budgetary Comparison Schedules (include original and final amended budget)
2. Infrastructure Assets--Modified Approach
3. Other RSI as required GASB 25 and 27

### **F. Supplemental Financial Information--Must be audited at least to the extent necessary to state that in the auditor's opinion, the supplemental data is fairly stated in all material respects in relation to the financial statements.**

1. Analysis of Changes in Fund Balances
2. Analysis of Revenues
3. Analysis of Expenditures

- (1) Report on Compliance and Internal Control; Management Letter; or Report of Comments and Recommendations--The report of comments and recommendations shall include a description of any improper, illegal or other actions disclosed by the independent certified public accountant in the course of their tests and reviews in connection with their report on the financial statements.

Examples of the types of actions, which should be considered in the preparation of this report, are:

- (a) Lack of action of the local unit on previous reports of comments and recommendations by the independent CPA;
- (b) Unaudited funds and/or operations;
- (c) Expenditures not made in accordance with legislative appropriations and other State fiscal requirements and restrictions. The independent CPA should be guided by PA 2 of 1968, as amended, and appropriate reporting guidelines issued by the state treasurer;
- (d) Improper accounting for revenues;
- (e) Inadequate or ineffective internal controls or procedures;
- (f) Records and reports which could not be reconciled to those of the various State fiscal offices;
- (g) Noncompliance with statutes, laws, rules and regulations as outlines in the "Auditing Procedures" section of this bulletin (or any others known to the independent CPA) under which the funds, and/or operations of the county road commission were created and are functioning.

## AUDITING PROCEDURES (Continued)

- (h) Indication of possible fraud or dishonesty; (see number 5)
  - (i) Indication of a need for review of financial operations and/or financial management;
  - (j) Indication of a lack of current review by government officials of insurance coverage and bonding requirements;
  - (k) Noncompliance with Federal financial assistance requirements;
  - (l) Noncompliance with the State Uniform Chart of Accounts; and
  - (m) Departures from accounting principles generally accepted in the United States of America.
- (2) Report on Auditing Procedures--A report shall be made to the state treasurer, with a copy to the county road commission, pertaining to the adherence to the minimum requirements outlined in this bulletin and shall include such other information as the state treasurer shall require. The prescribed form is located at the Treasury web-site:  
[http://www.michigan.gov/documents/496\\_2996\\_7.pdf](http://www.michigan.gov/documents/496_2996_7.pdf)
- (3) Report on Findings of Suspected Fraud and/or Embezzlement--During the course of an audit, the independent certified public accountant should be constantly aware of the possibility of fraud and/or embezzlement. Statements on Auditing Standards 54 and 82 should be followed where applicable. **If the possibility of any fiscal irregularities, defalcation, misfeasance, nonfeasance or malfeasance comes to the auditor's attention, an "oral report" should be immediately made to the Local Audit and Finance Division of the Michigan Department of Treasury.** Materiality should not be considered when notifying Local Audit and Finance Division about a potential problem. This oral report should be promptly followed up by a written report to the Local Audit and Finance Division of the Michigan Department of Treasury, disclosing the independent CPAs findings.

### Additional Reporting Requirements

The Single Audit Act requires a Schedule of Expenditures of Federal Awards to be included in the auditor's report showing the total expenditures for each Federal assistance program. For the highway programs, this schedule must be expanded or a supplemental schedule prepared showing the required information by individual grant (agreement) with columns added for grant number and period. The schedule must also identify those grant moneys administered by the State and those administered by the local public agencies.

Statutory compliance procedures are a required part of the audit of county road commissions in Michigan, a copy of the statutory compliance checklist may be found in Appendix F of the Bulletin for Audits of County Road Commissions.

Local unit compliance with Department of Treasury manuals and the requirements in the manuals is to be included in the procedures of the auditor.

A copy of this financial report format should be provided to the road commission's auditors when requesting bids for the statutory audit.

## **BUDGETS**

[PA 2 of 1968](#), as amended by PA 621 of 1978, establishes budgeting requirements and prohibits deficit spending by local units of government. The legislative body (board of county road commissioners) must pass a General Appropriations Act for the County Road Operating Fund (a special revenue fund type) and any debt service funds under its control.

Michigan law provides that no money shall be disbursed from a local unit except pursuant to the General Appropriations Act adopted by the legislative body. The purpose of the General Appropriations Act is to present the expenditure side of the budget in a form necessary to allow the expenditure of funds and to prevent deficits by limiting expenditures to available resources. The appropriations act must include estimated revenues by source, in each fund, to finance the expenditures. The General Appropriations Act, when approved by the legislative body after a public hearing, becomes the plan that must be followed by the administrative officer in the conduct of the road commission's operations.

The recommended budget and subsequent appropriations act may be two separate and distinct documents. The Michigan Committee on Governmental Accounting and Auditing recommends that the budget estimates be prepared and submitted to the chief administrative officer in detail. The recommended budget document prepared therefrom for presentation to the legislative body should be in summary form according to mandatory activities set forth in the "Uniform Chart of Accounts" and financial reporting requirements. The budget document shall be accompanied by such supporting schedules as may be requested by the legislative body. The chief administrative officer shall submit a recommended budget and a suggested appropriation act for the operating and debt service funds of the road commission. The General Appropriations Act, when approved by the legislative body after a public hearing, becomes the plan that **MUST** be followed by the administrative officer in the conduct of the road commission's operations. The legislative body may authorize the chief administrative officer to make transfers within limits stated in the general appropriations act without prior approval of the legislative body. Michigan law provides that no money shall be disbursed from the treasury except pursuant to an appropriations act adopted by the legislative body. It is this appropriation measure which serves as the legislative control document.

The General Appropriations Act must also include estimated revenues, by source, in each fund, to finance expenditures. Both revenues and expenditures must be monitored during the fiscal year to prevent incurring a deficit. The general appropriations act must be amended as soon as it becomes apparent that a significant change in revenues or expenditures is known.

## **BUDGETS**

The budget for the County Road Fund shall be prepared, adopted, and amended when necessary in accordance with the provisions of Public Act 621 of 1978, as amended, the Uniform Budgeting and Accounting Act, being [MCL 141.421 - 141.440](#).

We recommend the budget be prepared in accordance with the Uniform Budgeting Manual for Local Units of Government in Michigan issued by the Michigan Department of Treasury. It is available for a small charge by contacting Local Audit and Finance Division at (517) 373-3227 and obtaining a copy of our publication order form or downloading the manual from our web site at: <http://www.michigan.gov/treasury/>.

Following are examples of completed budget forms and formal budget actions by a board of county road commissioners.

1. Recommended Budget submitted by the chief administrative officer to the board of county road commissioners, which consists of:
  - a. Budget Summary (Prior Year, Current Year and Budget Year)
  - b. Supporting Schedule - Revenues and Other Sources
  - c. Supporting Schedule - Expenditures and Other Uses
2. General Appropriations Act
3. Budget Amendments
  - a. Budget Amendment No. 1
    - 1) Supporting Schedule of Increases/(Decreases)
  - b. Budget Amendment No. 2
    - 1) Supporting Schedule of Increases/(Decreases)

## **BUDGETS**

### **RECOMMENDED BUDGET**

#### **BUDGET SUMMARY**

#### **REVENUES (AND OTHER SOURCES)**

<b><u>Name of Local Government Unit</u></b>	<b><u>Name of Fund</u></b>	<b><u>Fund No.</u></b>	<b><u>Budget Year Ending Date</u></b>
Brown County Road Commission	County Road	201	12-31-99

#### **Department or Classification**

#### **Amount**

<b><u>Account Description</u></b>	<b><u>Year 1997 Actual Prior</u></b>	<b><u>Year 1998 Est. Current</u></b>	<b><u>Budget 1999 Recommended</u></b>
Taxes	\$ 440,812	\$ 225,431	\$ 235,000
Federal Grants	602,434	981,542	964,000
State Grants	1,777,234	1,475,850	1,515,000
Contributions From Local Units	104,000	160,000	92,000
Charges For Services	744,671	770,000	771,800
Interest And Rents	52,825	42,000	33,000
Other Revenue	<u>2,100</u>	<u>9,000</u>	<u>10,200</u>
Total Revenues	3,724,076	3,663,823	3,621,000
Other Sources	<u>-</u>	<u>200,000</u>	<u>85,000</u>
Total Revenues and Other Sources	<u><u>\$3,724,076</u></u>	<u><u>\$3,863,823</u></u>	<u><u>\$3,706,000</u></u>

## BUDGETS

### RECOMMENDED BUDGET (Continued)

#### EXPENDITURES (& OTHER USES)

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<u>Department or Classification</u>	<u>Amount</u>		
<u>Account Description</u>	<u>Year 1997 Actual Prior</u>	<u>Year 1998 Est. Current</u>	<u>Budget 1999 Recommended</u>
Primary Construction	\$ 35,487		
Primary Heavy Maintenance	774,712	\$1,308,722	\$1,273,000
Primary Maintenance	691,852	460,000	561,000
Local Construction	7,711		
Local Heavy Maintenance	76,203	106,257	84,000
Local Maintenance	650,076	629,000	545,250
Equipment Expense (Net)	(127,124)	(175,000)	(117,000)
Distributive Expense	401,925	410,000	430,000
Administration (Net)	125,643	131,000	133,500
State Trunkline Maintenance	742,422	768,000	770,000
Capital Outlay (Net)	112,668	53,892	(216,500)
Debt Service	<u>174,920</u>	<u>171,648</u>	<u>169,010</u>
Total Expenditures and Other Uses	3,666,495	3,863,519	3,632,260
Amounts Needed for Contingencies	<u>-</u>	<u>-</u>	<u>125,000</u>
Total Expenditures and Other Uses	<u>\$3,666,495</u>	<u>\$3,863,519</u>	<u>\$3,757,260</u>
	Year End		
Budgeted Net Revenues (Expenditures)	12/31/99		\$(51,260)
	Year End		
Current Estimated Operating Surplus(Deficit)	12/31/98	\$304	
Accumulated Available Unappropriated Surplus			
(Deficit) From Prior Years	12/31/97	\$355,503	
	12/31/98		<u>\$355,807</u>
Projected Surplus at End of Budget Year			<u>\$304,547</u>

## BUDGETS

### RECOMMENDED BUDGET (Continued)

NOTE: Data for each year shown on the budget summary should be comparable. For example, because Equipment Expense (Net) and Distributive Expense are included as line items in the Recommended Budget, account and activity balances presented for Actual Prior Years and Estimate Current Year should be the balances prior to the year-end closing of Activity #513 - Distributive Expense-Fringe Benefits, Account #670 - Gain or Loss on Equipment Usage and Activity #514 - Distributive Expense-Other.

### SUPPORTING SCHEDULE - REVENUES (AND OTHER SOURCES)

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<u>Name of Local Government Unit</u>	<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year Ending Date</u>
Brown County Road Commission	County Road	201	12-31-99

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<u>Department or Classification</u>		<u>Amount</u>			
<u>Account Number</u>	<u>Account Description</u>	<u>Year 1997 Actual Prior</u>	<u>Year 1998 Est. Current</u>	<u>Budget 1999 Recommended</u>	<u>Adopted</u>
401	<b>Taxes</b>	<u>440,812</u>	<u>225,431</u>	<u>235,000</u>	
403	Property Taxes	425,812	210,431	220,000	
430	National Forest Reserve Taxes	15,000	15,000	15,000	
501	<b>Federal Grants</b>	<u>602,434</u>	<u>981,542</u>	<u>964,000</u>	
510	MDOT-Private Contractors				
.01	Federal Aid Secondary	306,201	427,201	500,000	
.02	Urban Highway	116,888	262,341	200,000	
511	Negotiated Contracts				
.01	Federal Aid Secondary	179,345	152,000	139,000	
.03	Hazard Elimination Safety		140,000	125,000	

## BUDGETS

### RECOMMENDED BUDGET (Continued)

#### SUPPORTING SCHEDULE - REVENUES (AND OTHER SOURCES)

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<u>Department or Classification</u>		<u>Amount</u>			
<u>Account Number</u>	<u>Account Description</u>	<u>Year 1997 Actual Prior</u>	<u>Year 1998 Est. Current</u>	<u>Budget 1999 Recommended</u>	<u>Adopted</u>
539	<b>State Grants</b>	<u>1,777,234</u>	<u>1,475,850</u>	<u>1,515,000</u>	
546	Michigan Transportation				
.01	Engineering	10,000	10,000	10,000	
.02	Primary Road	886,375	840,161	869,500	
.03	Local Road	500,373	474,285	492,500	
.04	Primary Urban Road	21,445	20,326	21,500	
.05	Local Urban Road	21,445	20,326	21,500	
.06	Snow Removal	220,363	110,752	100,000	
547	Critical Bridge	117,233			
580	<b>Contributions From Local Units</b>	<u>104,000</u>	<u>160,000</u>	<u>92,000</u>	
.04	Township Contributions	104,000	160,000	92,000	
600	<b>Charges For Services</b>	<u>744,671</u>	<u>770,000</u>	<u>771,800</u>	
627	State Trunkline Maintenance	742,422	768,000	770,000	
643	Scrap and Salvage Sales	2,249	2,000	1,800	
664	<b>Interest and Rents</b>	<u>52,825</u>	<u>42,000</u>	<u>33,000</u>	
665	Interest	49,825	39,000	30,000	
667	Property Rent	3,000	3,000	3,000	
671	<b>Other Revenues</b>	<u>2,100</u>	<u>9,000</u>	<u>10,200</u>	
687	Refunds--Rebates	3,150	300	200	
693.01	Gain Or (Loss) on Disposal of Equipment	<u>(1,050)</u>	<u>8,700</u>	<u>10,000</u>	
Total Revenues		<u>3,724,076</u>	<u>3,663,823</u>	<u>3,621,000</u>	
<b>Other Sources</b>					
699	Appropriation Transfers In	<u>-</u>	<u>200,000</u>	<u>85,000</u>	
Total Revenues and Other Sources		<u>3,724,076</u>	<u>3,863,823</u>	<u>3,706,000</u>	

**NOTE:** The Budget Year Final Adopted column on the supporting schedules of revenues and expenditures is to be used only if the board of county road commissioners makes or approves changes to the recommended budget submitted by the chief administrative officer. The Budget Year Final Adopted column contains no amounts in this example because this example provides that the board adopted the recommended budget as submitted.



## BUDGETS

### RECOMMENDED BUDGET (Continued)

#### SUPPORTING SCHEDULE - EXPENDITURES (AND OTHER SOURCES)

<u>Name of Local Government Unit</u>		<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year Ending Date</u>	
Brown County Road Commission		County Road	201	12-31-99	
<u>Department or Classification</u>		<u>Amount</u>			
<u>Activity* or Account Number</u>	<u>Account Description</u>	<u>Year 1997 Actual Prior</u>	<u>Year 1998 Est. Current</u>	<u>Budget 1999 Recommended</u>	<u>Adopted</u>
450*	<b>Primary Construction</b>	<u>35,487</u>	<u>-</u>	<u>-</u>	
451*	Roads	35,487			
458*	<b>Primary Heavy Maintenance</b>	<u>774,712</u>	<u>1,308,772</u>	<u>1,273,000</u>	
459*	Roads	609,385	1,308,722	1,273,000	
460*	Bridges and Structures	165,327			
466*	<b>Primary Maintenance</b>	<u>691,852</u>	<u>460,000</u>	<u>561,000</u>	
467*	Roads	477,545	249,500	353,000	
472*	Winter	214,307	210,500	208,000	
480*	<b>Local Construction</b>	<u>7,711</u>	<u>-</u>	<u>-</u>	
481*	Roads	7,711			
488*	<b>Local Heavy Maintenance</b>	<u>76,203</u>	<u>106,257</u>	<u>84,000</u>	
489*	Roads	76,203	106,257	84,000	
496*	<b>Local Maintenance</b>	<u>650,076</u>	<u>629,000</u>	<u>545,250</u>	
497*	Roads	414,401	346,194	314,500	
498*	Bridges and Structures	802		750	
502*	Winter	232,873	282,806	230,000	
670	<b>Equipment Expense (Net)</b>	<u>(127,124)</u>	<u>(175,000)</u>	<u>(117,000)</u>	
510*	Direct	741,124	811,000	760,000	
511*	Indirect	432,167	401,000	403,000	
512*	Operating	207,087	211,000	220,000	
669	Equipment Rental Credits	(1,507,564)	(1,598,000)	(1,500,000)	

## BUDGETS

### RECOMMENDED BUDGET (Continued)

#### SUPPORTING SCHEDULE - EXPENDITURES (AND OTHER SOURCES)

<u>Name of Local Government Unit</u>		<u>Name of Fund</u>	<u>Fund No.</u>	<u>Budget Year Ending Date</u>	
Brown County Road Commission		County Road	201	12-31-99	
<u>Department or Classification</u>		<u>Amount</u>			
<b>Activity* or</b>					
<b>Account</b>		<b>Year 1997</b>	<b>Year 1998</b>	<b>Budget 1999</b>	
<u>Number</u>	<u>Account Description</u>	<u>Actual Prior</u>	<u>Est. Current</u>	<u>Recommended</u>	<u>Adopted</u>
	<b>Distributive Expense</b>	<u>401,925</u>	<u>410,000</u>	<u>430,000</u>	
513*	Fringe Benefits	363,282	375,000	390,000	
514*	Other	38,643	35,000	40,000	
	<b>Administration (Net)</b>	<u>125,643</u>	<u>131,000</u>	<u>133,500</u>	
515*	Administration	193,931	201,600	205,000	
629	Overhead--State	(60,181)	(61,500)	(63,900)	
646	Handling Charges	(6,708)	(6,300)	(6,000)	
691	Purchase Discounts	(1,399)	(2,800)	(1,600)	
517*	<b>State Trunkline Maintenance</b>	<u>742,422</u>	<u>768,000</u>	<u>770,000</u>	
	<b>Capital Outlay (Net)</b>	<u>112,668</u>	<u>53,892</u>	<u>(216,500)</u>	
900*	Capital Outlay	462,737	412,806	165,500	
689	Equipment Retirements	(1,085)	(3,194)	(2,000)	
690	Depreciation and Depletion	(348,984)	(355,720)	(380,000)	
905*	<b>Debt Service</b>	<u>174,920</u>	<u>171,648</u>	<u>169,010</u>	
991	Principal	127,922	133,816	139,946	
995	Interest	<u>46,998</u>	<u>37,832</u>	<u>29,064</u>	
Total Expenditures		3,666,495	3,863,519	3,632,260	
Amounts Needed for Contingencies		<u>-</u>	<u>-</u>	<u>125,000</u>	
Total Expenditures and Other Uses		3,666,495	3,863,519	3,757,260	

**NOTE:** Supporting budget documents may be prepared to include additional activities and greater detail. For example, expenditure budget documents could include budget amounts for all accounts within each activity.

## **BUDGETS**

### **GENERAL APPROPRIATIONS ACT**

Moved by Commissioner Smith, supported by Commissioner Jones, that the 1999 Brown County Road Fund General Appropriations Act be approved unanimously as follows:

Revenues (And Other Sources)	
Taxes	\$ 235,000
Federal Grants	964,000
State Grants	1,515,000
Contributions From Local Units	92,000
Charges For Services	771,800
Interest and Rents	33,000
Other Revenue	<u>10,200</u>
Total Revenues	3,621,000
Other Sources	<u>85,000</u>
Total Revenues and Other Sources	<u><u>\$3,706,000</u></u>
Expenditures (And Other Uses)	
Primary Construction	
Primary Heavy Maintenance	\$1,273,000
Primary Maintenance	561,000
Local Construction	
Local Heavy Maintenance	84,000
Local Maintenance	545,250
Equipment Expense (Net)	(117,000)
Distributive Expense	430,000
Administration (Net)	133,500
State Trunkline Maintenance	770,000
Capital Outlay (Net)	(216,500)
Debt Service	<u>169,010</u>
Total Expenditures	\$3,632,260
Other Uses	
Amounts Needed for Contingencies	<u>125,000</u>
Total Expenditures and Other Uses	<u><u>\$3,757,260</u></u>
Budgeted Net Revenues (Expenditures)	(51,260)
Accumulated Available Unappropriated Fund Balance (Deficit) From Prior Years	<u>355,807</u>
Projected Fund Balance at End of Budget Year	<u><u>\$ 304,547</u></u>

## **BUDGETS**

### **GENERAL APPROPRIATIONS ACT (Continued)**

For the purpose of administering the General Appropriations Act in accordance with the provisions of Public Act 621 of 1978, as amended, the following provisions are included:

1. Joseph A. Doe, Manager, is designated Chief Administrative Officer, and May D. Adams, Office Manager, is designated as Fiscal Officer.
2. The chief administrative officer is authorized to transfer up to 25% of a line-item amount approved in the General Appropriations Act to another line-item without prior approval, but subject to approval of the Board of County Road Commissioners at their next regular Board Meeting.
3. The expenditure amount approved in this General Appropriations Act for Distributive Expense shall be allocated to the various other expenditure line items in the proportion as the allocation of actual Distributive Expense at year end.

MOTION APPROVED by roll call vote, 3 yeas, 0 nays.

Notes: The budget summary page of the recommended budget, or a copy thereof may be included in the General Appropriations Act in lieu of the above figures.

### **BUDGET AMENDMENT #1**

Moved by Commissioner Jones, supported by Commissioner Smith, that the 1999 Brown County Road Fund General Appropriations Act be amended per Budget Amendment #1 as follows:

	<b><u>Original Budget</u></b>	<b><u>Increase (Decrease)</u></b>	<b><u>Amended Budget</u></b>
Revenues (And Other Sources)			
Taxes	\$ 235,000	\$ 4,485	\$ 239,485
Federal Grants	964,000	21,000	985,000
State Grants	1,515,000	256,000	1,771,000
Contributions From Local Units	92,000	23,000	115,000
Charges For Services	771,800	10,000	781,800
Interest and Rents	33,000	4,000	37,000
Other Revenue	<u>10,200</u>	<u>-</u>	<u>10,200</u>
Total Revenues	3,621,000	318,485	3,939,485
Other Sources	<u>85,000</u>	<u>160,240</u>	<u>245,240</u>
Total Revenues and Other Sources	<u><u>\$3,706,000</u></u>	<u><u>\$478,725</u></u>	<u><u>\$4,184,725</u></u>

## BUDGETS

### BUDGET AMENDMENT #1 (Continued)

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Amended Budget</u>
Expenditures (And Other Uses)			
Primary Construction			
Primary Heavy Maintenance	\$1,273,000	\$(83,000)	\$1,190,000
Primary Maintenance	561,000	177,000	738,000
Local Construction			
Local Heavy Maintenance	84,000	16,000	100,000
Local Maintenance	545,250	206,750	752,000
Equipment Expense (Net)	(117,000)		(117,000)
Distributive Expense	430,000	36,000	466,000
Administration (Net)	133,500	6,470	139,970
State Trunkline Maintenance	770,000	10,000	780,000
Capital Outlay (Net)	(216,500)	131,482	(85,018)
Debt Service	<u>169,010</u>	<u>15,450</u>	<u>184,460</u>
Total Expenditures	3,632,260	516,152	4,148,412
Other Uses			
Amounts Needed for Contingencies	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total Expenditures and Other Uses	<u>\$3,757,260</u>	<u>\$ 391,152</u>	<u>\$4,148,412</u>
 Budgeted Net Revenues (Expenditures)	 \$ (51,260)	 \$ 87,573	 \$ 36,313
 Accumulated Available Unappropriated Fund Balance (Deficit) From Prior Years	 <u>355,807</u>	 <u>(31,468)</u>	 <u>324,339</u>
 Projected Fund Balance at End of Budget Year	 <u>\$ 304,547</u>	 <u>\$ 56,105</u>	 <u>\$ 360,652</u>

MOTION APPROVED BY roll call vote, 3 yeas, 0 nays.

## BUDGETS

### BUDGET AMENDMENT #1 (Continued)

#### Brown County Road Fund Supporting Schedule of Increases (Decreases) Budget Amendment No. 1, FYE 12/31/99

Activity* or Account Number	Activity of Account Descriptions	Original Budget	Authorized Increase (Decrease)	Amended Budget
	<u>Revenues and Other Sources</u>			
401	<b>Taxes</b>	<u>235,000</u>	<u>4,485</u>	<u>239,485</u>
403	Property Taxes	220,000	3,459	223,459
430	<b>National Forest Reserve Taxes</b>	15,000	1,026	16,026
501	<b>Federal Grants</b>	<u>964,000</u>	<u>21,000</u>	<u>985,000</u>
510	MDOT--Private Contractors			
.01	Federal Aid Secondary	500,000		500,000
.02	Urban Highway	200,000		200,000
511	Negotiated Contracts			
.01	Federal Aid Secondary	139,000	21,000	160,000
.03	Hazard Elimination Safety	125,000		125,000
539	<b>State Grants</b>	<u>1,515,000</u>	<u>256,000</u>	<u>1,771,000</u>
546	Michigan Transportation Fund			
.01	Engineering	10,000		10,000
.02	Primary Road	869,500	139,244	1,008,744
.03	Local Road	492,500	78,870	571,370
.04	Primary Urban Road	21,500	3,443	24,943
.05	Local Urban Road	21,500	3,443	24,943
.06	Snow Removal	100,000	31,000	131,000
580	<b>Contributions From Local Units</b>	<u>92,000</u>	<u>23,000</u>	<u>115,000</u>
.04	Township Contributions	92,000	23,000	115,000
600	<b>Charges for Services</b>	<u>771,800</u>	<u>10,000</u>	<u>781,800</u>
627	State Trunkline Maintenance	770,000	10,000	780,000
643	Scrap and Salvage Sales		1,800	1,800
664	<b>Interest and Rents</b>	<u>33,000</u>	<u>4,000</u>	<u>37,000</u>
665	Interest	30,000	4,000	34,000
667	Property Rent	3,000		3,000
671	<b>Other Revenue</b>	<u>10,200</u>		<u>10,200</u>
687	Refunds--Rebates	200		200
693.01	Gain or (Loss) on Disposal of Equipment	10,000		10,000
	Total Revenues	<u>3,621,000</u>	<u>318,485</u>	<u>3,939,485</u>
	<b>Other Sources</b>	<u>85,000</u>	<u>160,240</u>	<u>245,240</u>
697	Installment Purchase and Lease Proceeds		145,240	145,240
699	Appropriation Transfers In	<u>85,000</u>	<u>15,000</u>	<u>100,000</u>
Total Revenue and Other Sources		<u>3,706,000</u>	<u>478,725</u>	<u>4,184,725</u>

## LEGAL COMPLIANCE SECTION

The following sections of the Michigan Compiled Laws (MCL) are applicable to county road commissions as of **December 2002**. The "MCL Reference" column refers to legal sections as presented in the Michigan Compiled Laws.

The "Impact" column is for the purpose of classifying statutes that relate to the day to day operations into two categories - Compliance Legislation (coded C) and Permissive Legislation (coded P). Compliance legislation imposes a requirement or restriction. Permissive legislation grants a power.

Other statutes that do not pertain to daily operations are presented for informational purposes. These statutes are coded I in the impact column and include only a brief description of statutory provisions.

In addition to the statutory provisions we have included brief descriptions of opinions of the Michigan Attorney General (OAG) and court decisions (CD) which are relevant to road commissions.

This summary is NOT a legal interpretation, please contact your attorney for any legal opinions.

### MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
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<a href="#">21.41</a>	C	The records and accounts of the road commission must be maintained in accordance with the uniform accounting procedures established by the state treasury department.
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<a href="#">45.201</a>	C	Options for fiscal year ends.
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<a href="#">129.221</a>	C	Acceptance of payments by credit/debit cards--required authorizations.
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<a href="#">129.241</a>	C	Credit card/debit card usage by management and employees--required policy and procedures.
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<a href="#">224.1</a>	I	Adoption of county road system.
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### CD: Powers of road commissions

County road commissions are created from legislation and have no power other than that which is legislatively conferred. Arrowhead Development Co. V. Livingston County Road Commission (1982) 322 N.W. 2d 702, 413 Mich. 505.

## **LEGAL COMPLIANCE SECTION (Continued)**

### MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.6</a>	I	County road commissioners; appointment or election, procedure; term of office; removal of appointed commissioner; complete board.
	I	<p>OAG 1979, No. 5613, page 517: If the county board of commissioners does not make appointments to fill vacancies on the county road commission within a reasonable period of time, an action of mandamus may be instituted to compel the board to make the appointments.</p> <p>OAG 1955-56, Vol. 2, No. 2626, page 444: County road commissioner is a county officer within the scope of MCL 24.2 and is entitled to receive volumes of public acts as therein provided.</p>
<a href="#">224.7</a>	C	Each county road commissioner shall take and file the oath of office with the county clerk.
	C	Each county road commissioner shall execute and give official bond in amounts determined by the county board of commissioners.
	C	The expense of securing such bonds shall be paid from the county road fund.
	C	No member of the board of county commissioners shall hold the office of county road commissioner at the same time.
<a href="#">224.8</a>	C	<p>Vacancies on road commission boards filled by appointment of a county commission, county commissioners shall fix the compensation of the county road commissioners and participation in insurance and retirement as authorized by county commission.</p> <p>The county board of commissioners may authorize the participation of county road commissioners in an insurance or retirement program established under <a href="#">MCL 224.10a</a>. Any such authorization granted by a county board of commissioners before this subsection was added is valid. The cost of participation in the insurance or retirement program shall be paid by the county road funds. OAG 1955-56 No. 2555, page 248 (Expenses).</p>



## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.9</a>	C	A majority of the members of the board of county road commissioners shall constitute a quorum for the transaction of business.
	C	The business which the board of county road commissioners performs shall be conducted at a public meeting of the board held in compliance with the Open Meetings Act, being <a href="#">MCL 15.261</a> through 15.275. (Public Act 267 of 1976)
	C	The board shall annually appoint one member as chairperson to serve during the pleasure of the board.
	C	The board of county road commissioners shall act as an administrative board only and the function of the board shall be limited to the formulation of policy and the performance of official duties imposed by law and delegated by the county board of commissioners.
	C	A member of the board of county road commissioners shall not be employed individually in any other capacity by, or for other duties with, the board of county road commissioners.
	C	The board shall appoint a competent superintendent, skilled in road building, who may be an engineer and who shall supervise road building operations in the county under the direction of the board.
	C	The board shall be known as the Board of County Road Commissioners of the County of _____ .
	I	County road commissioners; holding title to land; service of process; conveyance; secretary.
	C	The salaries of the members of the board of county road commissioners shall be paid by the board of county road commissioners from county road funds.
		OAG 1947-48, No. 599, page 463: Expenditure of county road funds to provide dinner or other entertainment for members of the county road commission and guest is illegal.

## LEGAL COMPLIANCE SECTION (Continued)

### MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.9</a>		<p>OAG 1955-56, No. 2462, page 80: Prosecuting Attorney must represent and advise the county road commission on questions relating to both highway matters and matters involving the county government as a whole.</p> <p>OAG 1976, No. 4985, page 503: Consent of the county board of commissioners is required before a county road commission may spend tax moneys on county roads.</p> <p>OAG 1978, No. 5375, page 663: County road commissioners are required to apply for disaster assistance under the Emergency Preparedness Act (<a href="#">MCL 30.401</a>) through the county governing body, the county board of commissioners.</p>
<a href="#">224.9a</a>	C	Records of county road commissions shall be made available to the public in compliance with the Freedom of Information Act ( <a href="#">MCL 15.231 through 15.246--FOIA</a> ).
<a href="#">224.10</a>	C	The clerk and the members of a board of county road commissioners shall be subject to Act 317 of the Public Acts of 1968 ( <a href="#">MCL 15.321 through 15.330</a> ) - relates to conduct of public servants in respect to governmental decisions and contracts with public entities.
	C	Employment of a county highway engineer; professional and consultant services; laborers, machinery.
	C	In cases involving the expenditure of an amount greater than \$10,000.00 for the purchase of machines, tools, appliances and materials, the board of county road commissioners shall advertise for sealed proposals for the machines, tools, appliances, and materials proposed to be purchased, except under emergency conditions, in which case the limit shall not exceed \$20,000.00. All purchases made under this section shall be compiled separately for purposes of board approval.
	C	The board shall advertise for sealed proposals for the purchase of passenger vehicles and trucks weighing less than 5,000 lbs.

## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.10</a>	P	The board may purchase surplus properties from the state and federal governments without advertising for sealed proposals.
	P	Notwithstanding the provisions of <a href="#">MCL 224.21</a> , the board may enter into a contract or agreement for the purchase of machines, tools, appliances, and materials to be used for public purposes and to be paid for in installments over a period of not to exceed 5 years or the useful life of the property acquired, whichever is less.
	C	<p>Each county road commission shall issue a plan to ensure minority business enterprises have the equal opportunity to compete and perform contracts, or purchases of services, or both for the county road commission.</p> <p>OAG 1937-38, pages 92, 96: Term "advertise" should be interpreted to mean "to give public notice of, to announce publicly, by printed notice"...</p> <p>OAG 1955-56, Vol. 2, No. 2569, page 246: A county road commission may provide "sick leave" for its employees...</p>
<a href="#">224.10a</a>	P	The board of county road commissioners may participate in the cost of, or provide life, health, accident, and hospitalization insurance for employees under its jurisdiction, and its retired employees and their dependents.
	P	The board may purchase or participate in the cost of endowment policies or retirement annuities for employees under its jurisdiction, to provide annuities or benefits for each employee after he has attained the age of 60 years in an amount not to exceed \$100.00 per month or 2% of the average monthly earnings of the employee times the years of service of the employee, whichever is the lesser sum.
	P	The board as an alternative may establish and maintain a retirement system for employees under its jurisdiction and provide for financing, funding, and benefit amounts and conditions, in accordance with and subject to <a href="#">MCL 46.12a</a> .

## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.10a</a>	I	Endowment policies or annuities, excess amounts paid by employees; termination of employment or annuity benefits.
	C	Uniform scale of benefits; termination of employment, effect; purchase of endowment policies or annuities. Pension or insurance programs arising from collective bargaining agreements. Reports of condition of retirement system, annual form. Retirement system service credits.
<a href="#">224.11</a>	I	Authority to lay out or change roads; construction or improvement projects, hearing, approval or disapproval; purchase of private property.
<a href="#">224.12</a>	I	Condemnation; petition for appointment of commissioners; order for hearing; publication and services; proof.
<a href="#">224.13</a> , <a href="#">.14</a> , <a href="#">.15</a> & <a href="#">.16</a>	I	Statutes regarding condemnation proceedings.
<a href="#">224.18</a>	C	State rewarded roads, inter-county roads, conveyance of roads.
<a href="#">224.19</a>	I	County road commissioners, roads and bridges, borrowing powers, validation of bonds, county highway engineer, duties, gravel, actions for injuries to road, bids, review of plans.
	C	When the board of county road commissioners decides to build or rebuild a road or bridge by a method other than by employment of day labor and purchase of necessary materials, the board shall advertise for sealed bids for the work, if the work involves an expenditure of an amount greater than \$20,000.
<a href="#">224.19a</a>		If the county road commission contracts with a fair board for the maintenance of a road surface:
	C	Before entering into a contract, the county road commission shall determine the charges to be made for maintenance which charges shall be sufficient to completely reimburse the county road commission for all expenses incurred in the performance of the maintenance.

## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.19a</a>	C	The contract shall contain terms by which the board and not the county road commission shall be responsible for the payment of damages resulting from the maintenance of a road surface.
<a href="#">224.19b</a>	C	If the county road commission adopts reasonable permit requirements and a schedule of fees to be charged to any person, partnership, association, corporation or governmental entity for performing work within the right-of-way of a county road except sidewalk installation and repair.
	C	A public hearing on the permit requirements and fee schedule must be held prior to adoption.
	C	Notice of the public hearing must be given by publication at least twice in a newspaper circulated in the county not more than 30 days nor less than 7 days prior to the hearing.
	C	Fee charges must be sufficient to cover only the necessary and actual costs applied in a reasonable manner for the issuance of the permit and for review of the proposed activity, inspection and related expenses.
	C	Fees charged to a government entity may not exceed \$300 per permit or \$1,000 total for all permits per project.
<a href="#">224.20</a>		<u>County Road Property Tax (Not Submitted to the Electorate)</u>
		If the county road commission receives nonvoted property tax revenues for county road purposes:
	C	Before October 1 of each year the board of county road commissioners shall cause the county highway engineer to make preliminary surveys, general plans, specifications and estimates of road, bridge, and culvert work for the ensuing year.

**LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>	
<a href="#">224.20</a>	C	Based upon the estimates of the county highway engineer, the board of county road commissioners shall determine the amount of tax which in its judgment should be raised for such year, of tax which in its judgement should be raised for such year, specifying and itemizing the roads and parts of roads upon which such moneys are to be expended and stating the amount asked for each of such roads.	
	C	Such determination shall be entered upon the records of the board of county road commissioners.	
	C	Such tax shall not exceed the following tax rate limitations:	
		<u>Total Assessed Valuation of County in the Last Preceding Year</u>	<u>Tax Limitation Per \$1,000.00 of Assessed Valuation</u>
		\$20,000,000 or less	\$5.00
		\$20,000,001 - 40,000,000	4.00
		\$40,000,001 - 100,000,000	3.00
		\$100,000,001 - 300,000,000	2.00
		More than \$300,000,000	1.00
	C	At the annual meeting of the county board of commissioners in October, the county clerk shall lay the determination made by the board of county road commissioners before the board of county commissioners.	
	C	The county board of commissioners shall make the final determination of the amount of tax to be raised for such year and for which roads the money is to be expended.	
	C	The county treasurer shall keep a separate account of the taxes collected and moneys received under this act and pay the same out only upon the order of the board of county road commissioners and upon warrants signed by the chairman and countersigned by the clerk of the board.	

## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">224.20</a>	C	All money raised under the provisions of this act shall be expended by the board of county road commissioners exclusively for the purposes specified.
<a href="#">224.20a</a>		<u>County Road Property Tax (Approved by the Electorate)</u>  If the county road commission receives extra voted property tax revenues for county road purposes:  C The tax rate limitations of Section 224.20 shall not apply.  C The tax levy shall not exceed ½ of 1% of the assessed valuation as equalized for the preceding year.  C The levy shall have been submitted to the electorate pursuant to a resolution of the board of commissioners approved by the governing bodies of each city within the county.  P Revenues derived from the extra tax levy authorized by this section may be used for the improvement of city streets in such amounts and on such projects as are mutually agreed upon by the county road commission and the governing bodies of the cities and approved by the county board of commissioners.
<a href="#">224.20b</a>		Notwithstanding any other provision of this act, and unless otherwise agreed by the governing bodies of the cities and villages and board of county road commissioners, the revenues derived from an extra voted tax levy for county road purposes shall be allocated and distributed by the county treasurer as follows:  To the county road fund:  C (1) A percentage of the total revenues equal to the proportion that the state equalized valuation of the unincorporated area of the county bears to the total state equalized value of the county.

## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#"><u>224.20b</u></a>	C	(2) A percentage of the remainder of the revenues equal to the proportion that the county primary road mileage within cities and villages bears to the total of the city and village major street mileage in the county plus the county primary road mileage within cities and villages in the county. (Note: Mileages to be used are the most recent mileages as certified by the state department of transportation).
		To the cities and villages:
	C	The remaining revenues in the proportion that the state equalized value of each bears to the total state equalized value of the incorporated areas of the county.
	C	The revenues allocated to the county road fund shall be expended by the board of county road commissioners exclusively for highway, road, and street purposes.
<a href="#"><u>224.21</u></a>	I	County road commissioners; authority to obligate county, limitations; roads under construction; duty of county to keep roads in repair; actions brought against board; liability for damages.
<a href="#"><u>224.22</u></a>	I	Bond issue; submission to electors, notice, vote; disbursement of proceeds.
<a href="#"><u>224.25</u></a>	C	Accurate accounts shall be kept of all money received and disbursed by the road commission and a complete financial report together with a detailed statement of all work done, right-of-way acquired, and roads constructed by the road commission shall be made to the county board of commissioners annually.
<a href="#"><u>224.26</u></a>	C	If the county has a population of more than 50,000, the road commission shall have an annual audit of its financial records, accounts, and procedures, including those required by law governing the disposition of any state funding.
	C	If the county has a population of less than 50,000, the road commission shall be audited not less frequently than biennially.



## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#"><u>224.27</u></a>	C	Each county road commission shall contract with a certified public accountant or the state treasurer to perform the audit.
	C	The proposed contract for audit shall be confirmed by the county board of commissioners.
	C	If the county road commission fails to provide for an audit, the department of treasury shall conduct the audit or cause it to be conducted by a certified public accountant.
	C	The cost of any audit required by this act shall be paid by the county road commission.
<a href="#"><u>224.28</u></a>	C	Audit report requirements.
<a href="#"><u>224.29</u></a>	C	Audit reports shall be made available for public inspection.
<a href="#"><u>247.396</u></a>	C	Township boards may enter into contracts with the board of county road commissioners to provide maintenance or make improvements to private roads.
<a href="#"><u>247.661</u></a>	I	State Trunkline fund; appropriations and expenditures; loans. Provides for loans to road commissions by the state, e.g., 1984 transportation loan program.
<a href="#"><u>247.662</u></a>	C	The road commission shall be reimbursed from the State of Michigan in an amount up to \$10,000 per year for the sum paid to a licensed professional engineer employed or retained by the road commission in the previous year.
	P & C	Not more than 30% of the amount returned to the county for use on the county primary road system may be expended, with or without matching, on county local road system.
	P & C	Not more than 15% per year of MTF returned to the county for use on the county local road system may be expended, with or without matching, on the county primary road system.

## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#"><u>247.662</u></a>	P & C	In case of emergency or with the approval of the state transportation department, not more than an additional 15% per year of MTF returned to the county for use on the county local road system may be expended, with or without matching, on the county primary road system.
	P	If the amounts of MTF returned to the county for county local roads exceeds total township contributions for the year for and on account of county local roads, the excess may be transferred to and expended on the county primary road system.
	C	Not less than 20% per year of the MTF returned to the county by this section shall be expended for snow and ice removal, the construction or reconstruction of a new highway or existing highway, or for the servicing of bonds issued by the county for these purposes.
	P	Surplus funds may be expended for the development, construction, or repair of an off-street parking facility.
	C	Not more than 5% per year of the MTF returned to the county for the county primary road system and the county local road system shall be expended for the maintenance, improvement, or acquisition of roadside parks and motor parkways.
	C	MTF returned to the county shall be deposited by the County Treasurer in a designated county depository in a separate account to the credit of the county road commission, and shall be paid out only upon the order of the county road commission.
	C	Interest earned on deposits of MTF shall be credited to the county road fund.
	C	The function of the county road commission shall be limited to the formation of policy and the performance of the official duties imposed by law and delegated by the county board of commissioners.

## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">247.662</a>	C	A member of the county road commission shall not be employed individually in any other capacity for other duties with the county road commission.
	P	The road commission may enter into highway, road, or street agreements with an adjacent county road commission, a city or village, and with MDOT.
	C	At least 50% of the cost of local road construction must be paid from money received from sources other than MTF.
	C	The amount of MTF expended for local road bridge construction shall not exceed 75% of the cost of the construction of the local road bridges. (Note: This does not apply to bridges financed with state critical bridge program funds.)
	I	Use of state revenue returned from transportation fund.
	I	Urban routes; expenditure of federal revenue for maintenance.
	I	Definitions of "Maintenance" and "Maintaining."
	I	Certification; average annual debt service requirement limit.
	C	Not more than 10% per year of all funds received by and returned to a county from any source for the purposes of this section may be expended for administrative expenses.  In addition to the financial compliance audits required by law, the Department of Treasury shall conduct performance audits and make investigations of the disposition of all state funds received by county road commissions, county board of commissioners or any other county governmental agency acting as the county road authority.
<a href="#">247.662a</a>		If the county had over 80 inches of measured snowfall in the prior fiscal year:

## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">247.662a</a>	C	It shall receive, before December 15 of the current fiscal year, a payment from the state for MTF snow removal funds.
	C	The county treasurer shall deposit the snow removal payment to the credit of the county road fund.
<a href="#">247.662b</a>	I	Funds returned to counties from MTF, distribution; urban area boundaries.
<a href="#">247.663b</a>	P	A county road commission may contract with other county road commissions for the purchase and use of equipment or machinery.
<a href="#">247.664</a>	C	Biennial primary road and major street programs; separate accounts; records; annual report; expenditures for administration; engineering, and record keeping; effect of noncompliance; responsibility of state for local county road support; additional funds.  Failure to comply with any of the requirements of this act shall result in the withholding of distributions and returns of funds provided for in this act and shall continue for the period of noncompliance.
<a href="#">247.664a</a>	I	Expenditure of allocated funds, prerequisites; rules, engineering determination of benefits; payment of drain assessments.
<a href="#">247.665</a>	C	Before May 2 of each year, the county road commission shall file with the state department of transportation, each township in the county, and the county clerk (on forms provided by the state department of transportation) a report showing the disposition of county road commission funds appropriated, apportioned, or allocated under this act.
	C	The report shall also include the following: Number of miles of local and primary roads and amounts received for each of those miles, total population in each township and the per capita amount of funds received for each person on the basis of population, and the amount of funds received directly from each township in the county.
<a href="#">247.668a</a>	I	Michigan Transportation Fund; use of money distributed.

## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

Reference   Impact   Statutory Provisions, Attorney General Opinions and Court Cases

### **Act 51 Borrowing Statutes**

<a href="#">247.668c</a>	C	If the county borrows money and issues bonds to pay all or any portion of the cost of the construction or reconstruction of highways, the bonds shall be issued only upon the written recommendation or approval of the county road commission and the adoption of a resolution by a majority vote of the county board of commissioners.
	C	The resolution shall briefly describe the contemplated highway construction project, the estimated cost of the project, and the amount, maximum rate of interest, and maturity date of the bonds to be issued and the form of the bonds.
	C	The resolution shall contain an irrevocable appropriation providing for the payment of the principal and interest of the bonds from the money received or to be received from the MTF except to the extent money has been pledged for debt service in accordance with other statutory provisions.
	C	The total aggregate amount of bonds issued by the county under this section shall not exceed the amount necessary to meet the maximum annual principal and interest requirements of the bonds plus an amount equal to 20% of the MTF received by the county road commission during the fiscal year immediately preceding the issuance of the bonds.
	C	The total annual amount that may be pledged by the road commission for the payment of principal and interest on bonds issued pursuant to this section, or the payment of contributions as required by a contract entered into accordance with MCL 247.668d, which contributions are pledged for the payment of bonds, together with total maximum debt service requirements for payment of notes issued under Public Act 143 of 1943, as amended, shall not exceed 50% of the total MTF revenues received by the county road commission during the last completed fiscal year ending on June 30 before the issuance of a bond or note or the execution of a contract.

## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">247.668c</a>	C	Bonds issued under this section are subject to the Revised Municipal Finance Act, PA 34 of 2001.
<a href="#">247.668d</a>	C	If the county road commission has entered into contracts with the state transportation commission, or a city or village providing for the construction or reconstruction of highways under the jurisdiction and control of one of the contracting parties to the extent that the contracting parties are otherwise authorized by law to expend moneys on the highways, roads, or streets, the contracts shall provide for allocation of the share of the costs of the construction or the reconstruction to be borne by the county road commission or the state transportation commission, city, or village in annual installments for a period not to exceed 30 years.
	C	If the road commission borrows money and issues bonds in accordance with this act for the purpose of providing funds for the immediate construction or reconstruction of the highway projects contemplated by the contracts, the bonds shall be secured by an irrevocable pledge of the annual contributions to be made by the road commission or other governmental unit that is a party to the contracts.
	C	Before the issuance of the bonds, the issuance of the bond shall be approved by the state administrative board and by a resolution of the county road commission and the governing body of each city or village that is a party to the contracts.
	C	The aggregate amount of annual contributions made by the road commission under this section and pledged for the payment of principal and interest on bonds issued pursuant to a contract shall not exceed 40% of the total MVH funds received by the road commission during the last completed fiscal year ending on the June 30 before the execution of a contract.
<a href="#">247.668e</a>	C	Bonds issued by the road commission under this act shall be serial bonds with annual maturities, or term bonds, with mandatory redemption requirements, or both serial and term bonds.
	C	Bond issues shall not exceed 30 years.

## LEGAL COMPLIANCE SECTION (Continued)

### MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">247.668e</a>	C	The first bond shall fall due not more than 5 years from the date of issuance.
	C	Maturities shall be as established by the resolution or ordinance authorizing the bonds or notes, without regard to the useful lives of the projects financed from the proceeds of the bonds or notes.
	C	The bonds shall bear interest, taking into account any discount or premium on the sale of the bonds, at a rate not exceeding the maximum rate permitted by the Municipal Finance Act, PA 34 of 2001, as amended, being <a href="#">MCL 141.2101 to 141.2821</a> . <a href="#">MCL 141.2305</a> shows the amount of interest that bonds can bear, taking into consideration any discount or premium on the sale of the bonds.

The Municipal Finance Act, PA 202 of 1943, as amended, being MCL 131.1 to 139.3, was **repealed** effective March 1, 2002 by the Revised Municipal Finance Act, PA 34 of 2001 ([MCL 141.2101 - 141.2821](#)).

<a href="#">247.668f</a>	C	Bonds issued under MCL 247.668c are subject to the Revised Municipal Finance Act, PA 34 of 2001.
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The Municipal Finance Act, PA 202 of 1943, was **repealed** effective March 1, 2002 by the Revised Municipal Finance Act, PA 34 of 2001 (MCL 141.2101 - 141.2821).

Under the Revised Municipal Finance Act, after March 1, 2002, a municipality shall not borrow money and issue municipal securities except in accordance with this act. Generally, a municipality may qualify to issue municipal securities (by filing a qualifying statement along with the annual audit report) without further Treasury approval. Municipalities that do not qualify under the provisions of the act must obtain prior approval from Treasury before issuing municipal securities.

"Municipality" means a county, township, city, village, school district, intermediate school district, community college district, metropolitan district, port district, drainage district, district library, or another governmental authority or agency in this state that has the power to issue a security. Municipality does not include this state or any authority, agency, fund, commission, board, or department of this state.

## LEGAL COMPLIANCE SECTION (Continued)

Under the Revised Municipal Finance Act ([PA 34 of 2001](#)), security means evidence of debt such as a bond, note, contract, obligation, refunding obligation, certificate of indebtedness, or other similar instruments issued by a municipality which pledges payment of the debt by the municipality from an identified source of revenue.

Public Act 34 of 2001 defines a municipal security as a security that when issued was not exempt from this act or the Municipal Finance Act, PA 202 of 1943, MCL 131.1 to 139.3, or by the provisions of the law authorizing its issuance and that is payable from or secured by any of the following:

- Ad valorem real and personal property taxes
- Special assessments
- The limited or unlimited full faith and credit pledge of the municipality
- Other sources of revenue described in this act for debt or securities authorized by this act

(Note: End of Act 51 Borrowing Statutes)

### MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">247.670</a>	C	All contributions received from townships for the maintenance and/or improvement of county roads must be made pursuant to agreements between each township and the county road commission.
<a href="#">247.670a</a>	P	Contracts for maintenance of the county local road system within a township by the township (Note: Applies only to counties having a population of 500,000 or more and to townships within those counties having a population of 40,000 or more.)  A township may enter into a contract with the county road commission providing for the maintenance by the township of all or any part of the county local road system within that township, subject to but not limited to the following conditions:  C In the prior year and the contract year, the township will have levied a property tax of not less than 1 mill on each dollar of assessed valuation of the township for the improvement or maintenance of county roads within the township.  C The contract must be a written contract of not more than 1 year.  C The contract shall specify the total amount of money that shall be annually expended by the contracting township for the maintenance of the local road system or part thereof.



## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">247.670a</a>	C	The road commission may pay not more than 75% of the amount specified in the contract to the contracting township annually.
	C	The road commission shall not pay more than 66% of an amount equal to the average annual amount of funds expended by the county road commission on the local road system located within the contracting township for construction and maintenance purposes over the previous 5-year period from local road funds received by the county under this act.
	C	Any funds expended by the road commission on the local road system located within the contracting township in excess of 66% shall be matched by the contracting township.
	C	The amount paid the contracting township shall not directly or indirectly include moneys transferred from the primary fund allocation to the county as set forth in <a href="#">MCL 247.662</a> .
	C	The contracting township shall file with the road commission on or before April 1 of each year, on forms provided by the state department of transportation, a report showing the disposition of funds received and expended for road purposes.
	C	The contract shall require the contracting township to provide insurance covering the road commission's liability for failure to maintain the local roads specified in the contract.
	C	The road commission shall determine and specify the equipment and personnel necessary to provide the maintenance as set forth in the contract, and the contract shall not take effect until the contracting township has acquired the necessary equipment and personnel so specified.

## LEGAL COMPLIANCE SECTION (Continued)

MCL

Reference   Impact   Statutory Provisions, Attorney General Opinions and Court Cases

### Revenue Anticipation Borrowing - PA 143 of 1943

[141.251](#)     P     The boards of county road commissioners are authorized and empowered, upon the adoption of a resolution, to borrow money, the sum of which shall not exceed the amount previously authorized by their respective county board of commissioners, in anticipation of and to pledge for the payment of the borrowed money, future revenues derived from stated collected taxes returned to the county for county road purposes pursuant to law and to issue notes for the purpose of purchasing road machinery or equipment, for improvement of county highways, or for other general county road purposes.

Notes issued under this act are subject to the Revised Municipal Finance Act, PA 34 of 2001, [MCL 141.2101 to 141.2821](#).

Under the Revised Municipal Finance Act, a municipality shall not borrow money and issue municipal securities except in accordance with this act. Generally, a municipality may qualify to issue municipal securities (by filing a qualifying statement along with the annual audit report) without further Treasury approval. Municipalities that do not qualify under the provisions of the act must obtain prior approval from Treasury before issuing municipal securities.

[141.252](#)     All notes issued by the board of county road commissioners:

C     The amount of each loan shall not exceed a percentage (Percentage limitation ranges from 4% for a loan payable in 1 installment, with an increase of 4% per installment, to 40% for a loan payable in 10 installments) of the total aggregate revenues derived from the state collected taxes returned to a county for county road purposes for the preceding 5 years.

C     A loan payable in more than 2 installments shall not be authorized for any purpose other than construction, improvement, maintenance, or repair of highways.

## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
<a href="#">141.252</a>	C	At no time shall the total loans outstanding under this act exceed 40% of the sum of the revenues derived from the state collected taxes returned to the county for county road purposes for the last preceding 5 calendar years and not specifically allocated for other purposes.
	C	The resolution authorizing the borrowing shall contain an irrevocable appropriation providing for the payment of the principal and interest from the money to be derived from the state collected taxes returned to the county for county road purposes pursuant to law that has not been specifically allocated for other purposes.
<a href="#">141.2303</a>	C	The road commission must file annually a qualifying statement prepared by the chief administrative officer on a form prescribed by the Michigan Department of Treasury.
<a href="#">141.2305</a>		<p>A municipal security authorized by law to be issued by a municipality may, notwithstanding the provisions of a charter, bear no interest as provided in this section or a rate not to exceed a maximum rate established by the governing body of the issuing municipality as set forth in its resolution or ordinance authorizing the issuance of the municipal security, which rate shall not exceed 18% per annum or a per annum rate determined by the department at the request of the municipality, whichever is higher.</p> <p>It also states under subsection (2), in part, a municipal security issued under this act shall not be sold at a discount exceeding 10% of the principal amount of the municipal security.</p>

**We recommend that responsible road commission personnel become familiar with and comply with provisions of the following public acts, as amended:**

### Other Applicable Statutes

<a href="#">15.261</a> - <a href="#">15.275</a>	C	Open Meetings Act - PA 267 of 1976
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## **LEGAL COMPLIANCE SECTION (Continued)**

MCL

<u>Reference</u>	<u>Impact</u>	<u>Other Applicable Statutes</u> (Continued)
<a href="#">15.231</a> - 15.246	C	Freedom of Information Act - PA 442 of 1976
<a href="#">45.201</a> -	C	Optional Fiscal Years for Counties - PA 347 of 1994
<a href="#">124.301</a> - 124.305		Electronic Transactions of Public Funds - PA 738 of 2002
<a href="#">129.221</a> -	C	Accepting Payments by Credit Card - PA 280 of 1995
<a href="#">129.241</a> -	C	Use of Credit Cards, Credit Card Policy - PA 266 of 1995
<a href="#">129.91</a> -	C	Investment of Surplus Funds - PA 20 of 1943
<a href="#">141.421a</a> - 141.422d & <a href="#">141.434</a> - 141.440a	C	Uniform Budgeting and Accounting Act - PA 621 of 1978
<a href="#">567.221</a> - 567.265	C	Uniform Unclaimed Property Act - PA 29 of 1995
<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>		
<a href="#">141.921</a>		Financial Plan of Units Ending Fiscal Year in Deficit Condition PA 275 of 1980
	C	If a local unit of government ends its fiscal year in a deficit condition, the unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition.
	C	The financial plan shall be filed with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected.
	C	Upon certification by the Department of Treasury, the local unit of government shall institute the plan.

## LEGAL COMPLIANCE SECTION (Continued)

MCL

<u>Reference</u>	<u>Impact</u>	<u>Statutory Provisions, Attorney General Opinions and Court Cases</u>
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[141.921](#)

OAG No. 6154, June 17, 1983: Deficit Condition - A local unit of government must file a financial plan to eliminate a deficit for any fund that ends its fiscal year in a condition where the total expenditures for that fund, including an accrued deficit, exceed total revenues in that fund for the fiscal year, including any surplus carried forward.

Notes:

- (1) Road commissions which comply with the requirements of the Uniform Budgeting and Accounting Act should not end a fiscal year in a deficit condition in any fund.
- (2) A road commission that ends its fiscal year with a deficit in either the Primary Road, Local Road or County Road Commission Funds (Subaccounts 390.01, 390.02 or 390.03) must file a deficit elimination plan.

## ATTORNEY GENERAL OPINIONS

Following is a summary of other Michigan Attorney General Opinions pertaining to county road commissions:

### OPINION

<u>No.</u>	<u>Date</u>	<u>BRIEF DESCRIPTION</u>
3536	2/1/62	<u>Public Offices and Officers - Reimbursement for Expenses:</u> Except where a gross amount is fixed to cover both compensation and expenses, reimbursement for expenses is limited to the exact amount of expenditure established by an itemized and supported claim.
599	9/22/47	The expenditure of county road funds to provide dinner or other entertainment for members of the county road commission and guests is illegal.
	9/25/33	<u>Sale of Road Materials:</u> The power to purchase implies the power to sell surplus supplies and materials a county may have on hand for which they have no use. However, a county may not purchase in such quantities with the object in view of creating a surplus for the purpose of sale. This would amount to making a business of the sale of supplies and materials, and a county may not engage in a business unless expressly authorized by statute.
4992	12/8/76	A county may not use county funds to assist a city to make payments on a bond issued to finance the reconstruction of a bridge within the city.
5305	5/3/78	A board of county road commissioners is authorized to purchase liability insurance for the protection of their employees against loss on account of any judgment which may be rendered for personal injury or property damage to a third party caused by the employee.  A board of county road commissioners is authorized, but not required, to indemnify an officer or employee of the board or to pay, settle or compromise a judgment entered against an officer or employee for personal injury or property damage to a third party caused by the officer or employee while in the course of employment and while acting within the scope of authority; the determination of whether to make such indemnification, however, may not be made before the alleged negligent act occurs.

## **ATTORNEY GENERAL OPINIONS (Continued)**

- 5305                      A board of county road commissioners may not agree to hold a highway engineer harmless from any monetary recovery assessed by a court, which results from his or her negligence in the performance of public duties.
- 5675              4/4/80              A board of county road commissioners is without authority to impose a fee to consider and act upon a petition to declare a county local road a natural beauty road.
- 5795              10/8/80              A county road commission is not entitled to receive interest on snow removal distributions due them on November 2 of each year from that date until the date they receive payment from the state.
- 5849              1/30/81              A vacancy in the office of member of an elected county road commission may be filled (by appointment by the county board of commissioners) for the unexpired term unless the vacancy occurs more than 150 days before a general election, in which case the vacancy is filled only until a successor is elected at the next general election.
- 2684A              9/18/56              The legal responsibility for auditing the county road commissioners' claims for expenses and approving them for payment should be that of the board of supervisors\* (or board of county auditors).
- 2555              5/7/56              A lump sum provided for expenses by the board of commissioners must be regarded as a ceiling on expenses within which actual expenses must be audited and allowed by the board of commissioners.
- 2943              2/19/59              The statute authorizes the board of county road commissioners to hire its employees. The board has the implied power to fix the employee's compensation and may as a part of such compensation, purchase a turkey for each employee.
- 6659              08/29/90              County road commissioners may participate in insurance and retirement plans established by the road commission for its employees, provided that such participation is pursuant to a compensation plan established by the county board of commissioners for the road commissioners and, further, provided that the county board of commissioners appropriates the necessary funds for such benefits.

NOTE: \*The reference to board of supervisors was changed to county board of commissioners by PA 87 of 1974, which amended MCL 46.1.

## **POLICIES**

Road Commissions should establish policies to aid in the administration of the organization. Policies lay out guidelines that new employees and new commissioners can readily acquaint themselves with. Policies establish standard operating procedures in many areas of the road commission business. Policies can insure uniform and consistent answers and treatment of procedures.

Policies need to be adopted by the board at a board meeting. It is recommended that a formal policy book be developed, and maintained by the clerk of the board. For easy reference, policies should be indexed, categorized, and numbered in some logical manner that will allow easy retrieval. An annual review of policies should be performed by the staff, and as needed, updated in the form of amendments.

Following is a sample of how a formal board policy may be structured and placed as a page in the formal board policy book. For specific policies contact your neighboring road commission, Clerks Association or Finance and Human Resource Committee member.

### **POLICY OF THE BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF SANFORD**

**CATEGORY:**                      Engineering

**POLICY NUMBER:**                      5

**AMENDMENT NUMBER:**                      \_\_\_\_\_

**SUBJECT:**                      Consultant Evaluation Record Keeping

**ADOPTED ON:**                      February 12, 1998

A motion was made by Commissioner March, and supported by Commissioner Stone, that it shall be the policy of the Sanford County Road Commission to keep a short synopsis on the performance for each consultant retained for any design, inspection, testing, environmental studies, etc. The attached form shall be used. When completed, the original shall be placed in a "Consultant Evaluation File" and a copy placed in the project file. Roll Call Vote: March - aye, Stone - aye, and LeBlanc - aye.

\_\_\_\_\_  
Al LeBlanc, Chairman

\_\_\_\_\_  
Kim Cost, Clerk to the Board



## **POLICIES (Continued)**

Below is a listing of subjects that some county road commissions have incorporated into formal board policies. Required policies are noted with an asterisk (\*). Subjects with a double asterisk (\*\*) should be reviewed to determine whether a policy should be adopted by the board. All other policies are optional. This listing is not meant to be all inclusive. (A sample of all required policies follows the listing).

- Abandonments
- Accounts Receivable Authorizations
- Advance Vacation Pay or Early Payroll Check
- \*\* Affirmative Action
- All Season Road Specifications
- Audits
- Borrowing of Road Materials
- Bridge and Culvert Replacement
- Bridge Definitions
- Brush Cutting Guidelines
- \* Budget Appropriation Act
- \*\* Business Revolving Credit Accounts
- \*\* Career Development
- Cash Disbursement (Standard Operating Procedure)
- Catastrophic Illness
- Chain of Command
- Change in Existing Grade or Alignment
- Check Cashing Time Limit
- Citizens Wishing to Address the Board
- Clerk of the Board Designation
- Closed Meetings
- Clothing Allowance
- \*\* COBRA Premiums
- \*\* Commercial Drivers License
- Consultant Evaluation Record Keeping
- Contractor Evaluation Record Keeping
- Cost Sharing--Reconstruction, Recaps, Replacement of Curbs, Bridges, etc.
- County Drain Improvements
- CRAM Committee/Board of Director Appointments
- \* Credit Cards
- Crediting Investment Income on Township Deposits to Project
- Damage Claim Payments
- Damage to Asphalt Surface
- Dead Animals
- Dedication of Platted Subdivisions Street Surfacing
- Deferred Compensation Program

## **POLICIES (Continued)**

Density Testing  
Designation of Person Responsible for Providing Proper Meeting Notices  
Ditching Along Primary Roads--Cost Sharing  
DNR/DEQ Permits  
\*\* Drug Free Workplace/Substance Abuse  
\*\* Drug Testing Policy  
Dust Control Chemicals  
\* Electronic Transactions  
Emergency Weather Procedure  
Employee Assistance Program  
Employee Bonds  
Engineering Costs on Local Road Projects  
\* Equal Employment Opportunity  
Equipment Rentals  
Establishment of Truck Routes in Townships  
Ethics  
\*\* Family and Medical Leave Act  
\* Fixed Asset Determination  
\* Flexible Benefit Plan  
FLSA Exempt Employees  
Former Employee Fee for Deposition/Court Appearances  
\* Freedom of Information  
Grades on Gravel Roads  
Gravel Testing  
Guardrail on Local and Primary Roads  
Haul Route Requirements  
Hazardous Material Removal  
Hiring Committee  
Indemnity  
Injury Management, Physicals, Drug Testing  
Inspection Procedures and Charges to Government Units  
Installation of Driveway Culverts/Sewer Lead/Signs  
Insurance Coverage  
\*\* Inventory Control  
\* Investments  
Invoices  
Job Evaluation Plan and Compensation System  
Leave of Absence for Non-Union Employees  
Long Distance Calls on Out of Town Business  
Longevity Death Benefit for Salaried Employees  
Longevity Pay  
Mailbox Standards and Mailbox Damage Reimbursement

## **POLICIES (Continued)**

- Management Bargaining Unit
- Maps
- Meetings With Townships Officials
- \* Michigan Right to Know Law
- Minimum Width of Surfacing and Graded Shoulder
- MIOSHA
- Monument Boxes
- \*\* Mutual Aid Agreement
- \*\* Notification of Fatalities Involving Road Commission Employees
- Notification of MISS DIG
- Obtaining ROW
- Office Hours
- \*\* Open Meetings Act/Robert's Rules of Order
- Overhead Charges
- Overweight/Overwidth/Overheight Move Rules and Regulations
- ORV's
- Pavement Marking/Striping--Annual Review
- Payment of Vacation and Sick Leave Upon Retirement/Termination
- Payroll Check Direct Deposits
- Permits
  - Authorization to Shut Down Operations in ROW Without Permit
  - Annual Cab Cards
  - \* Fee Schedule
  - Fiber Optic Cable
  - Requirements and Insurance
  - Municipality
  - Underground Utility
  - Work in Right-of-Way
  - Work Notification
- \* Personal Use of Road Commission Vehicles
- Petty Cash
- Private Contractor Agreements Negotiated by Townships
- Private Drive way/Road Maintenance
- \*\* Purchase Orders
- Regraveling of Local Roads
- Railroad Grade Crossings
- Retirement Contributions
- Retirement Gifts
- Right-of-Way Acquisition Procedures on Federal Aid Routes
- Road Closures for Traffic Emergencies
- Road Damage
- Road Markings

## **POLICIES (Continued)**

Road Name Change Fees  
Road Name Signs  
Roadside Drains  
\* Safety  
Salaries  
Seasonal Road Designation  
Selling Materials  
Service Charges on Townships Invoices  
\*\* Service Requests  
\*\* Sexual Harassment  
Sick/Vacation Leave in-Lieu-of Hospitalization Insurance  
Sidewalks for Commercial Frontages  
Signing--Joint Projects With Townships  
Signing of Documents  
\*\* Smoke Free Work Place  
Snowmobiles  
Soil Erosion and Sedimentation Control  
Special Assessments for Road/Street Improvements  
Specifications for Boring, Jacking and/or Tunneling Roads  
Surviving Spouse--Health Insurance  
Supplemental Annual Report  
Temporary Pay Rate  
Tiling of Ditch With Right-of-Way  
Time Cards  
Townships Billings  
Township Contributions  
Township Cost Share  
Traffic Control Devices  
Traffic Control Orders, Surveys, and Recommendations  
\*\* Travel Policy  
Tree Replacement  
Tree Stump Removal/Sidewalk Repair  
Tree Trimming  
Unemployment Compensation  
Village/City Streets  
Winter Construction

## **PURCHASING PROCEDURES**

Every road commission in the state operates in some manner differing from all other road commissions. These differences are part of what make us the best that we can be for our respective road systems. Each of us can find the way that is the most efficient, cost effective and productive of any options available to us. There are some things that are mandated, legally required. But other than that commonality, we each seek to find the way that will work best for us. Please feel free to use these guidelines, within the legal requirements, to be the best purchasing agent possible for your road commission.

### **ETHICAL STANDARDS**

From the County Road Law, the following ethical standards for all county road commission purchases must be adhered to: A purchaser for a county road commission shall not be financially interested, or have any personal beneficial interest, directly or indirectly in any contract or purchase order for supplies, materials, equipment used by or furnished to the county road commission; nor shall any employee accept or receive directly or indirectly from any person, firm or corporation to whom any contract or purchase order may be awarded, by rebate, gift or otherwise, any money or anything of value, or any promise, obligation or contract for future reward or compensation. Advertising items bearing the name of the firm such as pens, pencils, calendars, etc., are not considered articles of value or gifts in relation to this policy. In addition, the following practices are specifically forbidden:

1. Using information available to an employee solely because of his position for personal profit, gain or advantage.
2. Directly or indirectly furnishing information not available to all prospective bidders, to any person bidding on, or who may reasonably be expected to bid on a contract.
3. Providing confidential information to persons to whom issuance of such information has not been authorized.
4. Accepting, taking or converting to ones own use products of any kind in the course of or as the result of inspections of such projects.
5. Using your position to solicit, directly or indirectly, business of any kind or to purchase supplies or equipment at special discounts for private use from any person who sells or solicits sales to county road commissions.

**It is of critical importance that the purchasing function of county road commissions be of the highest integrity and honesty.**

Following is a simple explanation of some of the most common types of purchases and an outline of how they work. Decide which will work best for you. Most organizations will need all of them from time to time. Make sure there is a policy in place and written procedures to detail each aspect of your specific purchasing program. Use a common sense approach and call a neighboring road commission to see how they handle the situation you might be questioning.

## **PURCHASING PROCEDURES (Continued)**

### **PETTY CASH**

A common sense approach is often the most effective and efficient way to handle small item purchases on a daily basis. Costs need to be kept at a relationship that is reasonable to the value of the item being purchased. All dollar values in this section are listed as suggested amounts. They are for example only, and actual values must be determined by the individual road commission for the specific amounts to suit each need. Individual policies should state the specific amounts. It is suggested for purchases which are less than \$20 to be paid out of your petty cash fund whenever possible, but determine for yourself the amount of cash necessary to make small purchases. Use whatever time line is reasonable for replenishing your petty cash fund. For example, a \$200 petty cash amount may be sufficient for a bi-weekly pay period. See how many items are paid out over that time period and adjust your account accordingly. Replenish the cash supply as necessary. It may be necessary for each location to have a supply of petty cash.

The process for setting up a petty cash account is very straightforward. Once the board authorizes, with the approval of the county board, the account, simply write a check on the vendor account to petty cash. The county board legally determines the amount of petty cash. The cash is then entrusted to the employee responsible for keeping it. As cash is used, the slips are kept with the balance available of the remaining cash. When the supply of cash gets low, use the slips to generate an expense voucher to replenish the cash. Make sure a system is in place to account for the cash and properly record any overages or shortages. Always make sure the person receiving petty cash has a valid receipt for the item. Without a receipt, don't reimburse petty cash, no exceptions. The audit trail needs to be firmly established and control maintained at all times. If it develops that there is a site that does not document use, or provide the proper receipts and vouchers or cash slips as required, remove the cash fund from that location. Personal checks and/or personal expense items should not be paid from petty cash.

A policy statement regarding petty cash should be adopted by the board. The statement should include the maximum amount of cash to be disbursed for any single item as well as discipline for not keeping proper accounting records such as a receipt.

## **PURCHASING PROCEDURES (Continued)**

### **EXPENSE REIMBURSEMENT**

Items allowed by your expense reimbursement policy should be detailed on an expense voucher and itemized with receipts. Mileage should be reasonable for the distance and the person submitting the voucher for reimbursement must sign that the items were for the purpose of road commission business. Be ruthless. If there is not sufficient documentation, deny the reimbursement. Commissioners should review each expense voucher for the other commissioners. Department heads should approve their employees' expense vouchers prior to having the expense reimbursed. Determine if there are items that it would be reasonable to reimburse through petty cash. For example, parking fees for an employee who goes for a part, might be of such a small expense that it would be foolish to process a check for the individual; however, for someone who routinely incurs expenses, there would be no reason to use petty cash, even for a small expense. The parking fee would be included with the other expenses for reimbursement. The policy for reimbursement should state the qualifications for reimbursement. If there are value limits for meals or circumstances when there would not be reimbursement, the policy should include those limits. Think through the circumstances for the policy. Some policies are general in nature and then the specific procedure is outlined in examples. Determine the best way to explain your policy so everyone understands it.

### **REQUISITIONS AND PURCHASE ORDERS**

Most daily purchases can be made through a simple requisition and purchase order system. The employee needing the item fills out the requisition with all of the information detailing the items to be purchased, has it initialed or signed by the authorizing department head, orders the items and submits the requisition for processing onto a purchase order. The purchase order is typed and copies returned to accounts payable, the issuing employee and the original to the vendor. When the receiving report or packing slip is signed by the employee issuing the requisition, and submitted to accounts payable, the invoice for the material can then be processed for payment. There are many variations to this system. In a central purchasing system, the requisition writer would not be responsible for ordering the items to be purchased. All requisitions would be approved by the department head, the requisition would be forwarded to purchasing for processing, the information would be used to generate the purchase order, the purchasing department would order the material and the person who initiated the requisition would receive the material, submit the packing slip or receiving report and the invoice would be processed by accounts payable from the purchase order and the receiving report.

## **PURCHASING PROCEDURES (Continued)**

There are automated systems available to help generate the purchase orders and receiving reports but it is rare for a road commission to be large enough to have a separate purchasing department. Most road commission employees function in many areas of responsibility. Sometimes the person initiating the requisition is also the approving authority. It is important to try to separate the responsibilities for ordering and paying for items between employees. Audit trails are an important part of the integrity of the system. Be sure there is a system in place for more than one person to at least review invoices and payments.

Purchase orders can be preprinted with some information to ease the amount of typing or input required. Items such as a tax exempt number, delivery address for a central location, telephone and fax numbers, and statements of compliance with Federal and State legal requirements can become a standard part of the purchase order and fulfill some of the legal requirements for those acts.

Some items that are bid can have blanket purchase orders issued for the "specifications, terms and conditions of the bid opening" and used in-lieu-of contracts. The bid document, properly signed and awarded then becomes the contract with the purchase order formally acknowledging the award of the bid. Seasonal requirements for gravel or dust control are good examples of the type of bid that can be formally awarded by purchase order.

### **PRICE QUOTATIONS**

In this section, the money amounts listed are for reference and example only. It is up to each road commission to determine the specific dollar values for their system and use what makes sense to them. These are general guidelines only. It is suggested for orders ranging in value from \$300 to \$1,500, at least three telephone requests for a quotation from responsible vendors should be undertaken. Notes from the calls should be attached to the requisition and filed. For purchases ranging from \$1,500 to less than \$10,000, at least three written quotation proposals from responsible vendors should be received, kept with the purchase order and filed. These quotations could be faxed or mailed, but need to be in writing and when requested, should have a time stated to be received. If an alternate is suggested, all vendors that were offered to quote must also be allowed to quote on the alternate. Quotations, once received should be filed and treated much like bid documents. Though less formal, they are still the basis for the binding agreement.

For purchases of items which exceed \$10,000, written sealed bids must be received and the award made by the board of county road commissioners. For purchases that are less than \$10,000, the purchase must be approved by an individual with that authority as approved by the board.



## **PURCHASING PROCEDURES (Continued)**

### **CREDIT CARD PURCHASING**

One simple way to purchase is using a credit card. It is important to have a credit card policy in place and to strictly enforce the policy. There are specific items a credit card policy must include, see the legal section. The board must have a policy in place that names the officer responsible for implementation of the policy. An agreement must be reached with a financial institution to determine the limits of the credit cards, who is authorized to have a card, what type purchases can be made, how often the card can be used and the payment terms. When using a credit card, the employee needs to have proper documentation to present to accounts payable for payment of the invoice. Any employee issued a credit card should also be required to sign a statement agreeing to the terms and conditions of the policy developed for the use of the card. The employee should also be aware of the responsibilities and repercussions in the event the policy is not followed to the letter. All credit card use needs to be documented and authorized. Credit card limits should be high enough to allow the card to be used for the intended purchases. For example, a credit card issued to the managing director, used for hotel charges, would be useless if the limit on the card was \$500 and needed to be used to pay for two nights at a conference for the board and the manager. Make sure credit limits are realistic. Make sure the total balance of any card is paid according to the terms and conditions of the agreement so the road commission does not incur finance or interest charges on an unpaid balance. Your policy should make the employee responsible for items they do not provide documentation on and clearly state the discipline involved for misuse of the card.

### **DEBIT CARDS**

Debit cards are a prepaid credit card. The road commission would establish an account with a dollar value sufficient to meet the need for the term determined by the policy. The debit card would be issued by the financial institution. The employee would need to follow the same procedures used for a credit card, documenting use of the card, the proper authorization for the card, and staying within the predetermined limits of the policy for use of the card. Proper authorization for the use and documentation of each use would have to be strictly enforced in the same manner as the use of a credit card. Employees should be required to sign a form indicating their understanding of the use of the card and the consequences of the improper use or documentation of the card including discipline. Policy should follow the same lines as credit card use.

## **PURCHASING PROCEDURES (Continued)**

### **BIDS**

Formal bids, which are legally required for purchases in excess of \$10,000, include public advertising, sealed proposals, a public opening and award by the board. Every bid document should include some statements that are normally called boilerplate. The boilerplate should include the right to award in the best interest of the road commission; the right to waive irregularities in any bid, the right to reject bids. Boilerplate can also include statements of compliance. For example: payment terms and conditions, compliance with the Elliot Larsen Civil Rights Act and a statement such as this declaring noncollusion. "By my signature on this document, I hereby state that all of the information I have provided is true, accurate and complete. I hereby state that I have not communicated with, nor otherwise colluded with any other bidder, nor have I made any agreement with, nor offered or accepted anything of value from any official or employee of the (name) county road commission that would tend to destroy, hinder free competition or otherwise compromise the bid process."

The award for a formal bid is generally signified by the issuance of a purchase order or after the award, the execution of a contract, however, the purchase order can represent the confirmation of a contract. A bid document can be used as a contract by simply adding an acceptance clause and space for the counter signature of a member of the board, or authorized representative, to execute the document. Once the bid is awarded and countersigned it becomes the executed contract. A copy of the executed contract should accompany the purchase order.

A typical statement that would appear on the bidding proposal is as follows: The undersigned bidder acknowledges the bidding proposal is an offer of contract extended to the (name) county road commission, and, upon acceptance by the (name) county road commission as duly reflected in its minutes and executed by signature in the acceptance section of this bidding proposal in the space provided, constitutes a binding contract between the undersigned bidder and the (name) county road commission effective immediately upon the date of the boards' meeting which reflects acceptance or the date as stated on the specifications whichever is later.

### **ADVERTISING**

In an opinion by the Michigan Attorney General dated August 30, 1937, "...the term advertise as used in this section (MSA 9.110) requiring advertising for sealed bids should be interpreted to mean to give public notice of or to announce publicly by printed notice and it should be effected in a reasonable manner and within a reasonable time prior to the letting of the contracts or the expenditure of funds."

## **PURCHASING PROCEDURES (Continued)**

Thus, advertising for sealed bids in a local newspaper is the minimum requirement. It is highly recommended that the advertising appears in at least two Michigan construction trade journals. Posting the advertisement on public bulletin boards or including bid updates on an internet site are additional devices for advertising.

Advertisements should contain the following information:

1. The name of the purchasing entity.
2. Brief description of the goods or services to be purchased.
3. Date and time for the receipt of sealed proposals.
4. Date and time of the bid opening.
5. Qualification provisions for bidders if applicable.
6. Deposit required for plans and specifications if applicable.
7. Name of contracting officer.
8. Where bid documents can be obtained.
9. Any other special provisions.

A bidders list should be established and maintained as sources for the various types of purchases from whom bids may be solicited. In order to foster competition, a broad listing of suppliers has to be developed.

Many road commissions simply refer to a previous year's bid file for the current bid invitation. Additions to this list can be found via trade publication, trade shows, sales persons visits, other road commissions and, of course, the yellow pages in the telephone directory.

At the time the request for publication of the advertisement is made to your local newspaper and/or the trade journals, mail one copy of the specifications, bid form and the bid envelope to the names on your bid list. Upon the request of a prospective bidder, supply the bidder with the same materials immediately, unless a pre-qualification is a requirement of the bid.

### **SEALED PROPOSALS**

The bid document should include the instructions to bidders, the specifications for the item to be proposed, the manner in which the proposal will be compared to other proposals, an opportunity for the bidder to express terms and conditions of sale and an area where the signature of the agent for the bidder is to sign.

## **PURCHASING PROCEDURES (Continued)**

Instructions to bidders should include any specific rules or regulations that your policy for bidding requires. You can standardize a page of rules that incorporate the statement of waiver, right to award in the best interest of the road commission, requirements for Material Safety Data Sheets, insurance requirements, cash terms, how to make a correction on the bid document, acknowledgment of the legal requirements of the Elliot-Larsen Civil Rights act, and other items that you would incorporate into every bid. This page of instructions to bidders can then be placed in every bid document to be sure all of the legal requirements have been met.

A bid specification is a concise statement of a set of requirements to satisfy a need. A good specification should do four things:

1. Identify minimum requirements.
2. Allow for a competitive bid.
3. List reproducible test methods to be used in testing for compliance with specifications.
4. Provide for an equitable award at the lowest possible cost.

There are several available sources that can be of value to you when you are developing your specifications, such as; other public agencies, including cities, county road commissions, the State of Michigan, the General Services Administration, the National Institute of Governmental Purchasing, and specifications prepared by responsible associations of users, manufacturers, technical societies and associations.

The use of a particular brand name as the specification, even with the words "or equal", is the least desirable type of specification. If the time and resources necessary to develop another kind of specification are not available or cannot be justified, usually because of the low dollar value represented by the purchase, a brand name specification can be used. However, as not to limit competition, you should indicate beyond any doubt that the brand name is used merely as a specification and is not a statement of a preference. The term "approved equal" with the name of the person to contact with questions can be helpful to a bidder who may have doubts that their product will meet the specification. Suggestions of alternates may also be helpful.

The bid document itself should include all of the items to be compared. Pricing will probably be a major consideration, but if a delivery time is critical, that also needs to be addressed. Be sure to incorporate into the bid the issues that will carry the most weight in the recommendation to award. If there is a multiple item bid, where many prices will be included, determine in advance which items will carry the most significance when determining the value of the bid. If delivery time is critical, perhaps that factor is more important than paying freight. If there is no urgency for delivery other factors may play more significant roles in the determination of the best interest of the road commission.

## **PURCHASING PROCEDURES (Continued)**

The document should give the bidder an opportunity to express their terms and conditions. If the terms and conditions are different than those listed in the notice or instructions to bidders, determine which are in the best interest of the road commission or if the road commission can comply with the terms offered. It won't do any good to award to a bidder offering a 25% cash discount on receipt of the invoice if there is not a way to pay the invoice when it is received.

Bids need to be signed by an agent of the bidder. The signator must be able to act in the name of the bidder and to have the authority to sign for the company represented. It is helpful to have a line for the bidder to print their name, and sign their name as well as the name, address, telephone, fax and employer identification number or social security number if an individual, of the company or agency represented.

Bids should be submitted in sealed envelopes with notations indicating what the bid is for, when it will be opened and who it is from. Some road commissions provide bid envelopes with bid documents. It is an easy way to identify bids and keep them separate from regular mail. It is not recommended to allow fax bids. Unless the fax machine is located in a secure area, only accessed by the person receiving the bids, and the person receiving bids is not the person to recommend award, there are too many chances for a bid to be challenged if faxed bids are allowed.

### **PUBLIC OPENING**

All bids must be kept secure prior to the opening. All bids should be date stamped upon their receipt and deposited in a securely locked box, safe or file until the opening time. Prior to the time of opening, the identity and the number of bids received are to be kept confidential.

When the prescribed time and date for the bid opening arrives, the bids are publicly opened and read in the presence of the interested bidders and of the general public. A member of the board or his/her designate shall open the bids in the presence of at least two witnesses.

The following information is to be read at the bid opening:

1. Name of bidder
2. Price
3. The items offered and exceptions, if possible
4. Payment terms
5. FOB point
6. Delivery

## **PURCHASING PROCEDURES (Continued)**

The bid opening is neither the time nor the place for the bid evaluation. Examination of the bids by interested attendees may be permitted, provided that the process does not interfere with the conduct of business. A road commission employee or officer should be designated to supervise the examination to insure that the bids will not be altered in any manner.

Following the bid opening, prepare a tabulation of all bids to be used in the evaluation process for making a recommendation for award. Once bids are open, the information, including pricing is public knowledge. Copies of the tabulations can be made available to interested parties after the award is made by the board.

Generally, the tabulation contains the same information as read aloud at the bid opening. It is the policy that the bid item be awarded to the lowest responsible bidder who submits the responsive bid that is the most advantageous to the public. A responsive bid is one, which is in substantial conformance with the specifications and requirements of the invitation for bid.

The county road commission must consider in the evaluation not only the net cost to the road commission, but evaluate the anticipated cost for operating the bid item, including the expenses associated with the administration. Life cycle costing, which is also known as total cost buying, takes into consideration the cost of maintenance on a guaranteed basis for a predetermined active life of the item, as well as the original cost. Sometimes also included in the bidding proposal is a guaranteed buy-back price and a maximum operating expense cost.

The bidder's responsiveness and whether or not the bidder is a responsible bidder need also to be considered. Examples of nonresponsive bidders are as follows:

1. Do not conform with required delivery schedules.
2. A qualification of their price.
3. A qualification of the county road commission's standard terms and conditions.
4. Failure to furnish bond surety.
5. Failure to follow the instructions to bidders.

At the time of the tabulation the bids are to be checked for the following:

1. All bidding requirements have been met.
2. All unit prices have been correctly extended.
3. The extensions have been correctly totaled.
4. The bid form is properly signed.
5. Each item on the bid has been bid unless the instructions to bidders provide otherwise.
6. The bid is free of restrictions and/or alterations.
7. All other bidding requirements have been met.

## **PURCHASING PROCEDURES (Continued)**

Occasionally an invitation for bid will yield no responses or only one responsive bid. This could be the result of any of the following reasons:

1. The item requested is, in fact, a "sole source" item.
2. The specifications were too restrictive.
3. The sale of the requested item is controlled through territorial franchising arrangements, which are dictated by the manufacturer.
4. A poor selection was made of potential bidders.

If no responses or only one responsive bid is received, proceed with either of the following steps:

1. Question those who failed to respond and if your investigation reveals that the specifications were at fault, rewrite them and renew the bid process.
2. If the cause of the single bid was a poor selection of potential bidders, renew your search for possible qualified bidders and send out invitations for bids a second time.

After tabulating the bids, check references, determine if the bids are responsive and from responsible bidders. Begin with the low bid. If the low bid meets the specifications and the references check, recommend award to the low bidder. If the specifications have not been met by the low bidder, document the area detailing the item, items or terms that are deficient, move to the next low bid and see if the specifications are met.

Occasionally a road commission will receive a competitive bid in the bidder's own envelope. The purchaser may, therefore, open it inadvertently in advance of the prescribed bid opening. If this should occur the envelope should be resealed and an explanation written on the envelope and deposited with the other bids.

County road commission purchasers must be alert to the signs of collusive bidding and protect the integrity of the competitive bidding system by initiating remedial actions. One of the most common forms of collusive bidding is an agreement between the sellers to adhere to a published price list.

All identical bids are not always fraudulently contrived. However, a pattern of identical bidding among the same group of bidders is sufficient cause for a purchaser's suspicion.

Sometimes a bidder who does not have a product that meets the specifications of the invitation, but who has a product that the bidder thinks is reasonably close, will offer that product as an alternate. The decision to accept or to reject alternate item bids must be made in a manner that is equitable and that assures impartiality toward all bidders. If the other bidders could offer the same alternate, the item needs to be reconsidered. Everyone would then have the same opportunity to bid on the alternate.

## **PURCHASING PROCEDURES (Continued)**

The same philosophy would hold true on bid addendums. If everyone cannot meet the criteria of the addendum, consider if the entire item should be canceled or rejected, the specifications reworked and the item rebid.

Occasionally it becomes necessary to revise, delete, substitute or add to bidding material for a bid under call. When it is necessary to make such a change, a copy of each addendum needs to be forwarded to each vendor who obtained a bid form at their last known place of business. A copy of the addendum notice should also be stapled to each bid form not yet distributed. If time does not permit each vendor a reasonable amount of time to work with the addendum the bid should be canceled, bids received, returned unopened with the notice of cancellation and the item rebid with new specifications that incorporate the addendum.

If this should occur, immediately prepare the new specifications and instructions to bidders and go through the bid process again.

Another common form of collusive bidding is one in which competing firms collaborate to pre-select the low bidder each time the bidding occurs. This collusion can often be detected by analyzing the patterns of awards over a long period of time.

The following are some of the actions which can be taken by county road commissions to combat the collusive actions of bidders:

1. Contact the US Department of Justice and report your suspicions.
2. Use trade-ins of old or of obsolete equipment.
3. Award the bid to the bidder located furthest from the point of delivery when identical bids include delivery costs.
4. Award the contract to the bidder who had received the award the last time, provided all of the requirements and the specifications were met.

### **AWARD**

There is no obligation to award to a bidder that does not meet the specification. Make the recommendation to the board for the award and notify the successful bidder. At this point a purchase order can be issued for the awarded item, or for a more expansive need, such as a service, a contract can then be forwarded to the successful bidder for execution at the next board meeting or by a person authorized by the board.

If a bid is disqualified, based upon a bidder's lack of responsibility, the facts must be completely documented and made part of the bid file. These facts must be totally objective and supported by evidence. If the bidder is disqualified due to previous poor performance, your records should indicate the actual number of late or of rejected deliveries. If you disqualify the bidder for having a poor service record, your records should contain equipment downtime logs, which show when service calls are made and when response occurred.



## **PURCHASING PROCEDURES (Continued)**

In addition to disqualifying bids based upon the bidder's lack of responsibility, bids may also be disqualified for failure of the offered products to meet the specifications set out in the invitation for bid. Other legitimate reasons for bid disqualification include:

1. Prices excessively high and/or exceed moneys available for the intended purchase.
2. Failure to submit bond deposits or surety.
3. Failure to offer to meet specified delivery or performance schedule.
4. Failure to price out the bid in conformance to the required format that qualifies price to protect the bidder from unknown future market conditions.
5. Rights of the purchasing agency limited under any contract clause.
6. Bidder currently listed among barred bidders.
7. Reasonable basis to suspect either conflict of interest or collusion among bidders.
8. Bidder fails to submit required information, literature, samples or affidavits with bid.
9. Late bids.
10. Failure of an authorized person to sign the bid.

The waiving of any irregularities, however minor, must be done in such a manner as to assure that no bidder is given an unfair advantage over his competitors and that it is in the county road commission's best interest. The waiver of irregularity must be justified and documented.

Generally, irregularities may be waived if:

1. The item being waived is only a matter of form or is an immaterial variation from the exact requirement of the invitation to bid.
2. The item being waived has trivial or no effect on the price, quality, quantity, delivery or performance.
3. Such a waiver would not affect the relative standing of bidders or be otherwise prejudicial to them.

## **CONTRACTS**

There are also areas of law dealing with the specifics of a contract. The buyer and seller must both be represented. The representative must have the authority to act for the buyer or the seller. These agents can only act within the limits of their authority. If the agent exceeds the authorized amounts specified, the agent is liable.

Agreements between a buyer and a seller can be considered contracts if some elements are met. The binding contract, whether verbal or written includes: 1) Capacity of parties; 2) Legality of object; 3) Consideration; 4) Mutuality of agreement; and 5) Mutuality of consent.

## **PURCHASING PROCEDURES (Continued)**

Not all persons have the ability or capacity to make a valid contract. Some examples of those having some limitations include, but are not limited to: minors, insane persons, intoxicated persons and private corporations. Both parties of a contract must have the legal right to enter into the agreement.

A contract must have a lawful objective. The contract is not legal if its purpose is criminal, immoral or against public policy.

Consideration is basically whatever is given in exchange for something. Both parties must have consideration.

Mutuality of agreement is necessary so that both parties have legal escape if a substantial disagreement occurs.

Mutuality of consent (mutuality of obligation) is the result of consideration. It means that both parties have an obligation or responsibility to do or to permit something to be done in consideration for the act of the other.

Generally, all of the above elements must be present to have a binding agreement.

All contracts should be written. The contract should clearly indicate the terms of the contract, including the quantity, quality, price, time of delivery and payment terms, or any other special terms or conditions.

There may be circumstances where it is not required to bid an item, but it is in the best interest of the road commission to do so. For example, office supplies, paper (such as computer paper or copy machine paper), janitorial supplies and similar items can be bid and the purchase order issued for an annual supply or a specific quantity of the item. Fuel or bituminous products can be bid and increases built into the bid document so that additional charges for freight, barrel rates, rail rates, cartage or other items that cannot be controlled by the supplier, can be added to the unit price, at actual cost, with documentation verifying the additional increase to the supplier. Awards can be made based upon unit pricing, overall pricing, average pricing or any reasonable category of price and delivery. Make sure the bidders know the criteria for award.

Bids may be issued for more than one season, or extended if it is the policy to use that option. Bids that will require large start up costs, such as roadside mowing, winter maintenance or signal service, could be issued initially for perhaps two seasons with language that states that the bid might be extended if both parties agree to the extension. The request for extension should be in writing, by some date that is set forth in the bid document. A sample statement could be: "This contract may be extended for one year by the mutual agreement of both parties.

## **PURCHASING PROCEDURES (Continued)**

Requests for extension must be made in writing to the business manager by February 15, 20XX." Once a contract has been extended, it cannot be extended a second time.

Bids should also include information that explains what will happen if the terms and conditions of the specification are not met. If there is a time limit for the delivery or service, and it is not accomplished, what will happen? Is the bidder going to be notified, does the bidder have to notify the road commission, will there be an opportunity to correct the situation or will the bid be canceled? Will damages be charged? The bidder needs to know who will administer the contract, who their contact person is and the circumstances that are a priority for canceling the contract. Make sure there is a clear understanding of consequences and priorities.

Occasionally a bidder will make a mistake of serious enough consequence to require a modification to or a withdrawal of their bid. Should the bidder find their mistake prior to the opening, the bidder should be permitted to withdraw the bid and submit a corrected sealed bid. The bidder must not be permitted additional time or other consideration.

If a mistake or an error is discovered by the bidder or by the county road commission after the bid opening, the reservation is somewhat more complex. If the mistake is an obvious one the county road commission has the obligation to call it to the attention of the bidder and to request a verification of their bid. If the bidder acknowledges the mistake and requests release, the purchasing authority then should proceed in the following manner:

- a. Clerical Mistakes: Any mistake which is obviously a clerical one, such as an error in the price extension or in the placement of the decimal point, reversal of prices, FOB destination, etc., may be corrected by the county road commission after verification is made by the bidder.
- b. Withdrawal: Permission to allow a bidder to withdraw the bid without prejudice may be given when clear and convincing evidence supports the existence of an error. For example, if there is a significant and obvious disparity between the prices of the lowest bidder and of the other bidders, a bidder may be permitted to withdraw without prejudice upon submission of evidence that a non-intentional error occurred.

Where clear and convincing evidence is not present, the bidder should not be permitted to withdraw without prejudice or to correct their error. If the bidder fails to enter into contract, the bidder's bond or bid deposit should be forfeited. Every bidder deserves the same rights. Bidders that do not follow the clearly defined rules and specifications should not be awarded the bid. If there is a circumstance that is insignificant enough to allow award, the reason should be clearly stated in the board meeting.

## **PURCHASING PROCEDURES (Continued)**

Bids which are received after the prescribed date and time should not be considered. Suggested procedure for handling late bids would be to stamp the bid envelope with the date and time, place a note in the bid file and then return the late bid, in it's original unopened envelope to the bidder. A note stating the time of receipt of the bid could accompany the returned bid.

The bid surety for bid guarantee or performance bond is a form of security, which accompanies a bid or a proposal. Generally they are included in the specifications when the bid requires a substantial outlay, or as required by law to protect the interest of the county road commission. Normally, the amount should be sufficient enough to cover anticipated differential costs between the lowest and the next lowest bidder as well as the administrative costs associated with the possible readvertisement of the bid or proposal.

Bid sureties generally increase the cost of bidding and tend to reduce competition. Each county road commission should use their discretion as to whether or not the bid sureties should be required. The following forms of bid surety are generally acceptable:

1. Bid bond signed by a surety company authorized to do business in the state in which the bids are solicited.
2. Cashiers check.
3. Certified check.
4. Letter of Credit drawn on a responsible financial institution.
5. U.S. postal money order.

Frequently, the signed bid document can be used as the contract and a purchase order issued to confirm the award, per the terms, conditions and specifications of the bid opening. There are some types of bidding or proposals that in addition to the bid, or request for proposal, the road commission might require a contract. If the item is for a service, such as auditing, engineering, consulting, architectural service, multi-year items of maintenance, a contract could be signed in addition to having the bid document or proposal list the terms and conditions.

There are several factors which would affect a selection of which type of contract would be appropriate for the situation, such as:

1. Competition
2. Vendor's history
3. Whether a firm price can be obtained
4. Extent of business risk

## **PURCHASING PROCEDURES (Continued)**

There are a wide variety of contract types, and the specific needs of the item or service required would determine the type of contract issued. Following are examples of types of contracts:

### **A. Fixed Price Contracts**

1. Firm fixed price: As the title indicates the exact price is indicated in the contract. This is the most often used type of contract for county road commissions. It is easier to administer and it places the responsibility of efficient production on the vendor. This variation should be used when you are reasonably sure that fair and competitive prices are available.
2. Fixed price with escalation: This variation may be the best solution for a long-term contract when future labor or material costs are uncertain. The escalator clause, which should provide for both upward and downward adjustments to the price, is based on an appropriate index factor. The factor must be both equitable and representative. In this type of contract the quantities of labor and/or materials are known.
3. Fixed price with redetermination: In this type of contract the rates and/or costs for the labor or the materials are known; however, the quantities are unknown.

This variation provides for a maximum cost and provides a base to negotiate a more accurate price after a certain time. Redetermination involves a review and analysis of the costs at a specific time during the run of the contract to provide a base to negotiate a more accurate price after a certain time. Redetermination involves a review and analysis of the costs at a specific time during the run of the contract to provide the purchaser information as to the costs already encumbered and what to expect at the contract end.

4. Fixed price incentive: This is a form of the redetermination type of pricing. A maximum price is agreed upon. This price includes the cost and a certain percentage of profit. This provides the vendor with an incentive to produce the product as efficiently as possible. Any savings in the cost of making the product will be shared on an agreed ratio between the purchaser and the vendor. If the actual cost exceeds the cost as set in the contract, the vendor's percentage of profit would be reduced and possibly eliminated.

## **PURCHASING PROCEDURES (Continued)**

### **B. Cost Contracts**

Cost contracts should be used only when a fixed price contract cannot be used. In this variation of contracts the vendor is guaranteed all of his costs up to a predetermined figure, therefore, the vendor has little or no financial incentive to keep his costs down. Some of the common cost contracts are as follows:

1. Cost plus a percentage of cost: The problem with this type of contract is that the greater the cost, the greater the profit. There is absolutely no incentive for the vendor to be cost conscious.
2. Cost plus a fixed fee: This type of cost contract permits a vendor to be paid for all agreed upon costs plus receiving a predetermined fee. The fee would provide the vendor with a higher percentage rate of profit if the vendor is cost conscious.
3. Cost plus incentive fee: The purchaser and the vendor agree upon a target price and the fee is based upon this price. If the price is less than the target price, both share in the savings. If the price is higher the vendor could lose some or all fees, but would be entitled to all costs incurred.
4. Cost without fee: This type of contract would generally be used when dealing with a nonprofit institution.
5. Cost sharing: If it is possible that the vendor would gain by performing the contract, for example, research in a specific area which would create a marketable product for the vendor, the costs would be shared on an agreed upon basis.
6. Time and material: Contracts where the precise work to be done cannot be determined in advance, would be performed on a time and materials basis.

### **C. Open End Pricing Contracts**

This contract is issued to assure a supply of material for some time in the future. The price is the price in effect at the time of delivery. Obviously, this type of contract is very undesirable as it does not permit the purchaser to control a decision to purchase based on price. It in effect gives the vendor a blank check.

## **PURCHASING PROCEDURES (Continued)**

### **D. Special Incentive Contracts**

In this variation of contracts the provisions provide the vendors who receive a contract to submit a value change proposal (VCP), indicating how they think that an approach or a product other than the one called for by the purchaser would better satisfy the requirements.

Once the contractual document is awarded, the purchaser's responsibility does not end. The following areas of post award responsibility must be viewed as part of efficient administration of purchase orders and contracts:

1. Insure compliance by the supplier with contract provisions.
2. Monitor deliveries, product quality and schedules.
3. Follow up with suppliers on problems occurring during the period of performance.
4. Receive and obtain approval of invoices and bills for payment.
5. Negotiate contract modifications and administer termination where necessary and permissible.
6. Administer contract close-out and final payment.

### **A. Delivery and Performance.**

The terms and conditions of the contract or purchase order must clearly define the delivery and performance requirements of the service, supplies or equipment. The delivery schedule will normally be shown in calendar days from specific date or transaction, such as receipt of order by the vendor. It is also important that you clearly show the place for delivery and the receiving time schedule at the delivery point.

Communication between the county road commission and the vendor and within the county road commission is extremely important. Coordination is a vital factor in purchasing. Follow-up and expedition, terms that are generally used interchangeably, do have different meanings. Follow-up normally applies to the monitoring of delivery schedules to assure compliance. Expedition, in the purest sense, involves an attempt to improve or to reduce the contractually stipulated delivery time for various reasons, and the vendor is not legally obligated to comply.

A good follow-up system includes identifying those contracts you need to monitor at or before the date of the award. Your initial follow-up action would be to reaffirm the delivery schedule and to establish proper liaison with the seller's representative. If delivery problems do develop, the following may help resolve the problem:

1. Contact the salesperson for assistance.
2. Initiate collect telephone calls and/or letters.

## **PURCHASING PROCEDURES (Continued)**

If the follow-up efforts have failed and the deliveries have become delinquent, one or two actions can be taken.

1. Authorize additional time for delivery.
2. Cancel the contract for nonconformance and apply the liquidated damage clause, if this becomes necessary and order from another source.

In the case of a partial delivery, partial payments can and should be authorized if the delivered items can be used separately. However, if the separate items are part of a system and the items delivered are of little or no value, partial payment should not be authorized.

Whenever substitutions are necessary due to shortcomings of the vendor, it is the road commission's responsibility as the purchaser to seek and obtain an adjustment for lower prices on the substituted items. This action will serve to meet the legal requirements of the contract and to discourage future substitutions by the same vendor.

Should the vendor fail to meet any requirement of the specification, the vendor can be cited for nonperformance. The seriousness of nonperformance must be evaluated on the circumstances surrounding the violation.

### **B. Inspection and Testing**

At the time of receipt of the items an inspection must take place. The inspection activity includes assuring that the material is in compliance with the descriptive specifications to detect any damage and to verify quantities received. If a discrepancy occurs, immediately notify the vendor and the purchasing official.

The packing slip must be signed by the person receiving the goods and be certain that the date and the purchase order number appear on the packing slip. This, along with the initialed copy of the purchase order are to be returned to the business office to assist in the authorization of payment for the purchase.

Testing is an expansion of the inspection procedure. One technique for testing is to obtain certificates of compliance or certified test results from suppliers. Another is to do the actual test in-house and/or send it out to a laboratory. These tests are based on sampling chemical, functional and endurance tests.

All requirements for inspection and testing must be clearly stated in the specifications. Inspection and testing are costly, but the benefits far outweigh the expense when the defects can be detected before they cause loss of life, injury or equipment failure. The reasons for rejection of the bid item must be listed and these reasons should reference specific requirements of the contract and be placed in the bid file.



## **PURCHASING PROCEDURES (Continued)**

One of the major reasons for inspection at the time of receipt is to detect any visible damage. It is important that all damage be completely described on the copy of the purchase order and the purchasing authority promptly notified. Any evidence of concealed damage should also be noted at this time. This notation is necessary to support the filing of a damage claim against the carrier. The carrier should be notified immediately and a joint inspection should be scheduled with the carrier's representative. When it is apparent that the extent of the damage causes the goods to be worthless, they should not be accepted.

Latent defects, defects which may not show up until some time after the items have been placed into service, may be the result of damage in transit or a failure of the manufacturer to conform to the specifications. The importance of FOB destination shipments is obvious. The vendor is responsible for rectifying the problem.

### **C. Payment**

Full payment is self-explanatory in that when the material is received complete and in satisfactory condition, the invoice is paid in full.

Advance payments should be kept at a minimum. However, advance payments could be made for the purpose of facilitating the agreement or contractual operation. Partial payments are similar to advance payment except that they are related to direct accomplishment or to a completed portion of a specific contract.

It is in the county road commission's best interest to maintain and provide quick payment of completed purchase orders or contracts. Besides the goodwill aspect, it will tend to reduce your cost since the vendor will not have to add in a carrying charge to cover his costs while awaiting your payment.

The preceding information on contract law is by no means intended to provide a complete discussion on the legal ramifications of county road commission purchasing. When you are in doubt as to the legal aspects of a purchasing situation or contract, contact your legal advisor.

## **REQUEST FOR PROPOSAL**

The request for proposal (RFP) method is usually the most appropriate for service contracts for certified professionals. This area includes audits by certified public accounts and professional consulting services of architects, doctors, engineers and lawyers. Remember that professional services should not be awarded on price alone. Of more critical importance is accurately evaluating the capability of the firms that are interested in performing the required professional service.

## **PURCHASING PROCEDURES (Continued)**

The RFP should include the following:

1. A work statement or the requirements of the job.
2. Time frame in which the work is to be completed.
3. Specific criteria to use in evaluating the proposal. Generally this includes the proposed approach to accomplish the work, the management capability and price.

The RFP should request the proposed provider of the service to include the following information: Facility and capability data, including related experiences and resumes of key personnel, verifiable milestone list and pricing including a price breakdown and cost schedule.

When evaluating a proposal look for the following:

1. General quality and responsiveness of offer
  - a. Responsiveness to terms, conditions and time of performance.
  - b. Completeness and thoroughness.
  - c. Grasp of problem or work to be performed and of the approach to be used.
2. Organization and personnel
  - a. Evidence of good organizational and management practices.
  - b. Qualification of personnel
  - c. Experience and past performance.
  - d. Financial condition.
3. Price and bid-price breakdown or price range and cost schedule. For other than professional services, the award may be based on a competitive bid basis.

Contracting with a construction firm is similar to contracting for professional services. Firms are invited to attend a session on contract requirements and to submit proposals as discussed in the services contracting section earlier.

Construction contracting involves the following matters:

1. Construction timing, i.e., sequential construction or phase construction.
2. Methods for control and coordination of construction projects.
3. Specifications including terms and conditions.
4. Lump sum price or unit price bidding, or a combination thereof.
5. Open competitive bidding through public advertising.
6. Competitive bidding by prequalified bidders.
7. Selection of lowest price bid or lowest and best responsible bid.

## **PURCHASING PROCEDURES (Continued)**

Bid invitations for construction work basically cover three areas: Bidding instruction, general contract conditions and building specifications and drawings. Remember if federal funds are to be used for a construction project, the standards reflected in Office of Management and Budget Circular A-102, must be adhered to.

### **EMERGENCY PURCHASING**

Road commissions can make purchases up to \$20,000, without advertising for sealed bids, providing the purchase is due to an emergency situation. An emergency purchase is deemed such if the purchase is necessary to protect the public health of citizens or when immediate repair is necessary to prevent further damage to public property, machinery or equipment. The need for expedited purchases because of poor planning, overlooked requirements, inaccurate usage history and inadequate forecasting may result in an emergency situation but they are inexcusable. Emergency purchasing is not intended to serve as a crutch for poor management.

Emergency purchases will usually result in higher prices because one or more of the following will occur:

1. Insufficient time for a supplier to carefully prepare a quotation or bid to provide the lowest possible price.
2. Higher transportation costs to expedite shipment.
3. Suppliers overtime costs.
4. Special attention required of our personnel, plus expensive long distance telephone calls.
5. Use of improper material for a "quick fix" that will have to be corrected in the future.

All emergency purchases should be documented as an emergency. From the initial request, or requisition, through the purchase order or contract, the statement that it is an emergency, or the nature of the emergency should be included on the paperwork. Some emergency conditions, such as a storm, may be eligible for reimbursement if there is adequate documentation of the emergency. Insurance forms and federal or state reimbursement forms will require the documentation for payment, or audit.

### **LOCAL SUPPLIER PREFERENCE**

This is a matter of policy to be determined by each individual road commission. The advantages of having a local preference purchasing policy are limited and are far outweighed by the disadvantages.

Policy developed supporting a local preference should state the nature of the preference, establish who local bidders are, and what the acceptable amount of the preference will be.

## **PURCHASING PROCEDURES (Continued)**

The major disadvantage is that the cost of goods or services are increased because this practice discourages outside firms that would normally compete with the local vendors. In addition to the increased costs of goods and services, it is often difficult to determine which vendors constitute local bidders. The policy must be clear on criteria for definition of a local bidder.

Local preference policies generally limit competition, increasing costs, narrow bidder lists, discourage competition and are not usually in the best interest of the road commission.

### **COOPERATIVE PURCHASING**

Cooperative purchasing has many advantages and can serve to foster intergovernmental cooperation. It is the joining together of two or more public entities for the purpose of preparing specifications and proposals, collectively receiving bids, and making an award to the lowest responsible bidder.

Aside from the economies of volume buying, it can greatly assist in reducing the duplication of work done in such areas as preparing specifications, soliciting bids and testing products.

There are two avenues for cooperatively buying. One is at the local level, which involves two or more local political subdivisions; i.e., the road commission cooperatively purchasing with the county, a city within the county or with another road commission.

The other involves buying through the State of Michigan under the state's contracts. Some of the more commonly used contracts are for: vehicles, tubes and tires, salt, office furniture and office supplies. There are many other contracts available for your use. Should you want more information, contact the Extended Purchasing Consultant, Division of Purchasing, Department of Management and Budget, Steven T. Mason Building, P.O. Box 30026, Lansing, Michigan, 48909.

When beginning a cooperative purchasing venture between you and another political subdivision, begin with a few common and repetitive commodities. By starting on a low scale you will gain the experience necessary to bid cooperatively the more sophisticated and lesser used items.

After the award, each agency issues its own contract and is responsible for administering the remainder of the procurement function, namely, expediting, receiving, inspecting, storing and verifying invoices and, of course, payment.

Initially it will be a lot of hard work. The program will succeed providing adequate leadership and a spirit of cooperation exists.

## **PURCHASING PROCEDURES (Continued)**

### **DISPOSAL OF MATERIAL**

This area of the purchasing process is often times overlooked, but an important area for those involved in purchasing. Revenue secured through salvage sales is becoming increasingly important as we are facing financial problems.

Generally, salvageable materials are divided into the following classifications:

1. Scrap - any ferrous materials that can be used for remelting to produce iron, steel or its alloys.
2. Waste - all nonmetallic refuse, which has market value.
3. Worn or damaged - either scrap or waste material that may be sold or used as trade-in.
4. Obsolete and surplus - any material that is of no use to the road commission.
5. Excess - any item that does not have a useful purpose for a particular department. The item may have value, however, and may be utilized by another department within the road commission.

The sale of salvageable materials is usually accomplished by one of four methods:

1. Sealed bids - This method follows the same procedures as used when using a sealed bid to purchase an item.
2. Spot bids - If the items are few in number and become available on an irregular schedule, simply contact buyers on an informal basis to determine the appropriate and best price for the items under the current market conditions.
3. Public auction - To conduct an effective public auction there must be a sufficient quantity and variety of materials to attract a crowd. Preparation for a public auction requires a great deal of planning, time and effort. It must be properly advertised, centrally located, have ample space and parking facilities, and if held outside have favorable weather. Contracting with a professional auctioneer can help to smooth the process and handle details that the road commission might not usually have to deal with such as sales tax or title transfers. The auctioneer will usually provide services for a percentage of the gross sale plus advertising.
4. Consignment - This approach which is designed for equipment, may be used when the bids received by the above procedures were not at the minimum price set on the unit or the above procedures are not practical to use. The item is consigned for sale to the consignee at an agreed price to be paid by the consignor at the time of actual sale.

A major supplier of the particular type of equipment to be sold is the most desirable to use. It is likely that a possible purchaser of your type of equipment would approach a vendor for new and/or used pieces of equipment.

## **PURCHASING PROCEDURES (Continued)**

The contract between the road commission and the vendor should contain the following:

1. A description of the unit including the year, manufacturer, model and the serial number.
2. Your price. This amount should reflect the least amount that you would accept for this unit. The vendor would keep the difference between the sale price and your price as profit; therefore, to give the vendor necessary incentive your price as stated should be reasonable.
3. The duration of the consignment.
4. That the county road commission retains title of the unit until the sale.
5. Designation of insurance responsibility.
6. Termination provisions.
7. Responsibility for transportation costs from the county road commission to the vendor. Disposing of items no longer useful to the road commission completes the purchasing cycle.

### **CONCLUSION**

These are guidelines and examples of different purchasing functions and procedures. They are not all inclusive. Keep in mind policies and procedures need to be in place. There are many avenues for help available, from your neighboring road commission to the finance and human resource committee as well as agencies like the Michigan Public Purchasing Officers Association. Documentation is generally the best defense for any question. A clear audit trail is essential to a good purchasing function.

**RECORDS RETENTION SCHEDULE**  
**Michigan Road Commission Record Retention General Schedule #9**  
**Revised August, 1998**

<b><u>ITEM NUMBER</u></b>	<b><u>RECORD TITLE</u></b>	<b><u>RETENTION PERIOD</u></b>
1	Accounts Receivable (Paid Statements)	3 years after audits
2	Adopting & Abandonments (County Roads)	Permanent
3	Annual Reports to:	
	a. County Road Association	Permanent
	b. MDOT	Permanent
	c. County Board of Commissioners	Permanent
4	Audit Reports	
	a. Auditor General	Permanent
	b. MDOT	10 years
	c. Private CPA & Treasury Audits	10 years
5	Agreements/Contracts	
	a. Road Contracts (all inclusive)	7 years after final accounting
	b. Township, Cities & Villages	7 years after final accounting
	c. Individuals & Corporations	7 years after final accounting
	d. MDOT	7 years after MDOT audit
	e. Utilities	7 years after final accounting
	f. Railroads	7 years after final accounting
	g. Employees Retirement Income Trust, Pensions, Deferred Comp	7 years after termination of plan
	h. Union/Employee Contracts	50 years or 3 years after death or termination
6	Bank	
	a. Deposit Slips	3 years after audits
	b. Reconciliations	3 years after audits
	c. Statements	7 years after audits
7	Bids	
	a. Roads & Bridges	7 years after final accounting
	b. Equipment	1 year after audits
	c. Buildings	7 years after acceptance
	d. Insurances	After policy expiration and audits
	e. Materials	1 year after audits
8	Bridges - Data Cards/Inspections	Permanent or disposal of bridge
9	Budgets - Revenues/Expense	3 years

## **RECORDS RETENTION SCHEDULE (Continued)**

<u><b>ITEM NUMBER</b></u>	<u><b>RECORD TITLE</b></u>	<u><b>RETENTION PERIOD</b></u>
10	Condemnation Proceedings	Permanent
11	Checks	
	a. Payroll (Cancelled)	7 years after audits
	b. Accounts Payable (Cancelled)	7 years after audits
	c. Register	7 years after audits
12	Climatological Observation Records	7 years
13	Centerline Striping Data	7 years
14	Construction/Heavy Maintenance Projects	
	a. Cross Sections	7 years after final accounting
	b. Diary	Permanent
	c. Estimates	7 years after final accounting
	d. Field Notes	Permanent
	e. Plans & Tracings	Permanent
	f. Progress Reports	7 years after final accounting
	g. Road & Bridge Const. Program	10 years
	h. Testing Reports	7 years after final accounting
	i. Inspection Reports	7 years after final accounting
	j. Hard Surface Mileage Log	Permanent
	k. Road Traffic Survey (all)	20 years
	l. Photos & Aerial Maps	Permanent or Transfer *
	m. Assessment District Rolls	20 years
15	Correspondence	
	a. Foremen & Employees	3 years
	b. General	3 years
	c. Health & Accident	3 years
	d. Hospitalization	3 years
	e. Life Insurance	3 years
	f. Retirement	3 years
	g. MDOT	10 years
	h. County Board of Commissioners	10 years
	i. Townships	10 years
	j. Unions	3 years
	k. Policy Matters	10 years
16	Departmental Receipts	
	a. County Roads	7 years after audits
	b. Treasurer	7 years after audits



## **RECORDS RETENTION SCHEDULE (Continued)**

<u><b>ITEM NUMBER</b></u>	<u><b>RECORD TITLE</b></u>	<u><b>RETENTION PERIOD</b></u>
17	Disbursements/Expenditures	
	a. Ledger	20 years
	b. Vouchers	7 years after audits
	c. Inventory (County Materials)	1 year after audit by State
18	Easements	
	a. Channel Change	After recorded in Register of Deeds
	b. Ditches	After recorded in Register of Deeds
	c. General - Road Materials, Stockpiling, etc.	After recorded in Register of Deeds
	d. Right-of-Way	After recorded in Register of Deeds
19	Employees	
	a. Application for Employment (Hired)	7 years after termination of employment
	b. Application for Employment (Not Hired)	30 days
	c. Authorization for Payroll Deductions	Current listing
	d. Daily Time Card Report/Time Sheets	1 year after audits
	e. Record of Employee Earnings & Deductions/Journal	50 years or 3 years after death
	f. Personnel Data Cards	7 years after termination of employment
	g. Retirement/Deferred Comp Records	50 years after retirement or termination
	h. Sick Leave/Vacation/Holiday	4 years
	i. Social Security (FICA)/Federal and State Quarterly & Yearly Reports	7 years
	j. Wage Rates	Current listing
20	Equipment	
	a. Certificates of Title	Disposal of equipment
	b. Depreciation - Listing of Fixed Assets	1 year after audits
	c. Expense Data	3 years after audits
	d. Distribution & Rental Rate Ledger	1 year after audits
	e. Equipment Questionnaire (CRAM)	3 years
	f. Service Policies/Warranties	Expiration
	g. Specifications	Disposals of equipment
	h. Operative Equipment Sheet	1 year after audits
	i. Equipment Time Sheets	1 year after audits
	j. Daily Equipment Safety Reports	1 year after disposal of equipment
	k. Equipment Expense Summary Ledger	2 years after disposal of equipment

## **RECORDS RETENTION SCHEDULE (Continued)**

<b><u>ITEM NUMBER</u></b>	<b><u>RECORD TITLE</u></b>	<b><u>RETENTION PERIOD</u></b>
21	General Ledger	20 years
22	General Ledger - Subsidiary Accounts	20 years
23	Insurance and Non-Revenue Bonds	
	a. Policies	
	1. Fleet	1 year after expiration and audits
	2. Compensation	1 year after expiration and audits
	3. Buildings and Contents	1 year after expiration and audits
	4. Boilers and Sprinklers	1 year after expiration and audits
	5. Burglary	1 year after expiration and audits
	6. General Comprehensive (PL&PD)	Permanent
	7. Health and Accident	1 year after expiration and audits
	8. Life	1 year after expiration and audits
	9. Hospitalization and Medical	1 year after expiration and audits
	10. Liability	Permanent
	b. Reports	
	1. Workers' Compensation	
	a. Personal Injury	10 years
	b. Compensation Payroll Reports	10 years
	c. Audits	10 years
	2. General Comprehensive Liability and Property Damage	20 years
	c. Bonds - Non-Revenue	
	1. Surety	6 years after expiration of bond term
	2. Fidelity	6 years after expiration of bond term
24	Inventory, Parts and Materials	
	a. Receipt Report	1 year after audits
	b. Requisition Report	1 year after audits
	c. Physical Inventory Reports	1 year after audits
	d. Card Register/Computer Journal	1 year after audits
25	Municipal Finance Division (Revenue Bonds)	
	a. Correspondence	1 year after final payment of loan
	b. Application	1 year after final payment of loan
	c. Coupons/Revenue Bonds/Notes	See PA 56 (1962), as amended by PA 130 (1963), and amendments thereto 3 years after final payment
26	Legal Opinions	Permanent

## **RECORDS RETENTION SCHEDULE (Continued)**

<b><u>ITEM NUMBER</u></b>	<b><u>RECORD TITLE</u></b>	<b><u>RETENTION PERIOD</u></b>
27	Court Cases	Permanent
28	Labor Statistics/EEO	1 year
29	Official Proceedings/Minutes of Meetings	Permanent
30	Petitions	7 years
31	Plats	Permanent
32	Permits	
	a. Construction Within Right-of-Way	Permanent
	b. Oversize/Overweight Loads	1 year
	c. Michigan Public Utilities	Permanent
	d. Building Moving	1 year
	e. Tree Cutting	1 year
	f. Encroachment	Permanent or until removed
	g. Driveway	Permanent
33	Property	
	a. Deeds and Easements	Permanent or disposition of property
	b. Abstracts	Permanent or disposition of property
	c. Title Insurance	Permanent or disposition of property
34	Purchase Orders - County Road Commission	2 years after audits
35	Receipts Ledger/Journal	20 years
36	Revenue Vouchers/Transmittal Advice	3 years after audits
37	Michigan Department of Transportation	
	a. Budgets	1 year after audits
	b. Delivery Reports	1 year after audits
	c. Inventory Disbursements	1 year after audits
	d. Monthly Maintenance Reports (Including Non-Maintenance)	1 year after audits
	e. Payment Vouchers	1 year after audits
	f. Purchase Orders	1 year after audits
	g. Stores Card Register/Journal	1 year after audits
	h. Receiving Slips	1 year after audits
	i. Trunkline Maintenance Atlas	1 year after audits
	j. Receipts for Disbursement MDOT	1 year after audits

**RECORDS RETENTION SCHEDULE (Continued)**

<b><u>ITEM NUMBER</u></b>	<b><u>RECORD TITLE</u></b>	<b><u>RETENTION PERIOD</u></b>
38	Transfer Vouchers	20 years
39	Transfer Voucher Journal	20 years - in General Ledger
40	Trial Balance Sheets (Monthly General Ledger)	1 year after audits
41	Weighmaster Reports	1 year
42	Local Option Materials	All documents used for internal purposes only and not required by any statute or agency regulation may be discarded at the option of the local official concerned.
43	Any records concerning construction, maintenance and administration by county road commissions, of airports, ferries, county parks, sewer and water systems, etc. not covered somewhere above may be added to this schedule by application of the county road commission concerned.	
44	Microfilm records in accordance with 1979 A.C., R 18.101, ET.SEQ.	

\* Notify MICHIGAN HISTORICAL CENTER, DEPARTMENT OF STATE  
for examination.

**STATE ARCHIVES OF MICHIGAN**  
**INSTRUCTIONS FOR CERTIFICATE OF RECORDS DISPOSAL (MH-38)**

In accordance with Sections 399.5 and 750.491 of the Michigan Compiled Laws, agencies of local government are legally required to prepare and adhere to Records Retention and Disposal Schedules. A schedule is a complete inventory of the records in a particular office. It identifies how long a record must be kept to meet administrative, fiscal, legal and historical requirements, and it identifies if and when agency records may be destroyed. Most importantly, a schedule identifies which records shall be preserved on a permanent basis. All schedules must be approved by the State Administrative Board and the State Archives of Michigan. A local record may not be destroyed unless it is listed on an approved schedule.

In addition, before local agencies may *actually* destroy any of their public records in bulk, they must file a Certificate of Records Disposal (MH-38) with the State Archives of Michigan. A new certificate should be prepared and submitted each time records are to be destroyed, and prior to their actual destruction. After it receives a completed Certificate, the State Archives will review and respond to the local agency within thirty (30) days. If the agency does not hear from the State Archives by the end of the thirty-day period, the agency may proceed to destroy the records listed on the certificate. The State Archives will requisition in writing those records that are considered historically valuable.

Instructions for Certificate Completion

1. Enter the name of the county, city, village, township, court or other REPORTING AGENCY, and the name of the DEPARTMENT OR DIVISION submitting the certificate.
2. Under RECORD TITLE list the records to be destroyed by using the record series description from the special or general schedule. List each record series separately, using one section per series.
3. Note the INCLUSIVE DATES of each series.
4. Under the SCHEDULE column, if using a general schedule, enter the schedule number; if using a special schedule, enter the date the administrative board approved the special schedule. Under ITEM NO. enter the number from the schedule that corresponds to the specific RECORD SERIES DESCRIPTION.
5. Enter the DISPOSAL VOLUME, proposed DISPOSAL DATE, and DISPOSAL METHOD. DISPOSAL VOLUME corresponds to the amount of records scheduled for disposal; this may be entered as either the amount of linear or cubic feet of space the records occupy. (See below for a conversion table.)
6. Sign the form. Enter the title of the signer and date of signing.
7. Make a copy of the completed certificate for your office files and send the original to the State Archives at the address below.

**STATE ARCHIVES OF MICHIGAN**  
**INSTRUCTIONS FOR CERTIFICATE OF RECORDS DISPOSAL (MH-38)**  
**(Continued)**

If you have questions about completing a Certificate of Records Disposal, please contact:

Dave Johnson, State Archivist  
State Archives of Michigan  
Michigan Department of State  
717 West Allegan Street  
Lansing, MI 48918-1837  
(517) 373-1401  
(517) 241-1658 (fax)  
<http://www.sos.state.mi.us/history/archive/archive.html>

CUBIC FOOT MEASUREMENTS		(1 cu. ft. = 1728 cu. in.)	
Letter Size Drawer (Lateral) 2.0 cu. ft. ....	(Vertical) 1.5 cu. ft.	Microfilm 100 16 mm Reels .....	1.0 cu. ft.
Legal Size Drawer (Lateral) 2.5 cu. ft. ....	(Vertical) 2.0 cu. ft.	4X6" Card File, Single Row 12" .....	0.2 cu. ft.
Record Center Carton .....	1.5 cu. ft.	5X8" Card File, Single Row 12" .....	0.3 cu. ft.
Shelving, 4 ft. Letter Size .....	2.3 cu. ft.	Shelving, 4 ft. Legal Size .....	3.0 cu. ft.
Tab Card Drawer, Single Row 25" .....	0.3 cu. ft.	Computer Tape (7 Reels) .....	1.0 cu. ft.

You can obtain a copy of the Certificate of Records Disposal from the following web-site/link:

[http://www.michigan.gov/documents/mhc\\_sa\\_cert-of-records-disposal\\_50239\\_7.pdf](http://www.michigan.gov/documents/mhc_sa_cert-of-records-disposal_50239_7.pdf)

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POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: BUDGET APPROPRIATIONS ACT

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The Board of Road Commissioners will comply with Public Act 621 of 1978, as amended, and adopt a General Appropriations Act budget annually and designate the Chief Administrative Officer and Fiscal Officer for the year along with allowances for transfer of budget line-items.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk



POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: CREDIT CARDS

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The following policy shall govern the use of road commission credit cards per Public Act 266 of 1995:

1. The Director of Finance is responsible for issuing, accounting for, monitoring, retrieving, and generally overseeing compliance with the board's credit card policy.
2. Board credit cards may be used only by an employee of the Board for purchase of goods or services for the official business of the Board.
3. Board employees who use a Board credit card shall, as soon as possible, submit a copy of the vendor's credit card slip to the Director of Finance. If no credit card slip was obtained, the employee shall submit a signed voucher that shows the name of the vendor or entity from which goods or services were purchased, the date and the amount of the transaction, the official business that required the transaction, and a statement of why a credit card slip was not obtained. All credit card slips shall include this information.
4. An employee who is issued a credit card is responsible for its protection and custody. If a credit card is lost or stolen, the Director of Finance shall be notified. The entity issuing the lost or stolen credit card shall be immediately notified to cancel the card.
5. An employee who is issued a credit card shall return the credit card to the Director of Finance upon termination of his or her employment or service with the Board.
6. The Director of Finance shall maintain a list of all credit cards owned by the Board, along with the name of the employee who has been issued the credit card, the limit established, the date issued, and the date returned. Each employee shall initial the list beside his or her name to indicate agreement that the credit card has been issued, and that the employee has received and read a copy of this policy.
7. The Director of Finance shall review each credit card statement as soon as possible to ensure that the transactions comply with this policy. Any transactions that appear on statements that are not documented with a credit card slip or a signed voucher shall be immediately investigated. Transactions that do not appear to comply with this policy shall be reported to the Board.
8. The Board shall not approve a payment to the entity issuing the credit card until all transactions have been verified, including the approval of all transaction invoices, if issued.
9. The balance, including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date.
10. Employees who use a Board credit card in a manner contrary to this policy shall be subject to any or all of the following disciplinary actions, as deemed appropriate by the Board:

Verbal counseling  
Written reprimand

Reimbursement to the Board for unauthorized expenditures  
Suspension  
Termination

A credit card shall be issued in the name of the \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_ with a limit of \$ \_\_\_\_\_  
on each card. Use by any other employee is prohibited without the express written consent  
of the Director of Finance.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: DRUG FREE WORKPLACE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

In October of 1988, the United States Congress passed the Drug Free Workplace Act (EL100). It is the intent of the \_\_\_\_\_ County Road Commission to fully comply with both the spirit and letter of this law and accordingly, the road commission hereby gives notice to each and every employee of his/her requirements as a continued condition of employment with the road commission to comply with the following:

1. It is the policy of the \_\_\_\_\_ County Road Commission that the unlawful manufacturing, distribution, dispensation, possession or use of a controlled substance is prohibited in the employer's workplace. Controlled substance means any substance capable of altering an individual's mood, perception, pain level, or judgment, which has not been prescribed for individual consumption by a licensed medical practitioner. The discovered use, sale, transfer, or possession of alcohol, drugs or any controlled substances on road commission premises or work site (including commission vehicles and any private vehicle parked on commission premises or work site) is grounds for discipline up to and including discharge.
2. Entry upon road commission premises or working under the influence of alcohol, drugs, or intoxicants is grounds for discipline up to and including discharge. "Under the influence" is defined as being unable to perform work in a safe and productive manner or being in a physical or mental condition which creates a risk to the safety and well being of the individual, other employees, the public, or the road commission property; or having any detectable level of alcohol, drugs, controlled substances, intoxicants or any combination thereof in the body.
3. The road commission recognizes drug or alcohol dependency as an illness and a major health problem. Employees needing help in dealing with such problems will be encouraged to use the services of local agencies and health insurance plans, if appropriate. A current list of centers is provided for all employees.
4. The purpose of this policy is to:
  - A. Establish and maintain a safe, healthy working environment for all employees and for the public.
  - B. To ensure the reputation of the road commission and its employees within the community and industry at large.
  - C. To reduce the number of accidental injuries to persons and properties.
  - D. To reduce absenteeism and tardiness and improve productivity.
  - E. To direct any employee requiring assistance to an appropriate rehabilitation program.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: ELECTRONIC TRANSACTIONS

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

WHEREAS, Public Act 738 of 2002 was signed by the Governor with immediate effect on December 30, 2002; and

WHEREAS, Public Act 738 requires the board of county road commissioners to adopt a resolution containing certain conditions to lawfully conduct electronic financial transactions such as payments and receipts (ACH).

NOW, THEREFORE, BE IT RESOLVED that the \_\_\_\_\_ County Road Commission Director of Finance is hereby appointed the Electronic Transactions Officer (ETO) and is responsible for ACH agreements including payment approval, accounting, reporting, and generally overseeing compliance with the ACH policy.

BE IT FURTHER RESOLVED that documentation is to be prepared and retained, that may be contained within the computerized accounting system, for ACH transactions detailing the goods or services purchased, related costs, date of payment, and cost accounting classification.

BE IT FURTHER RESOLVED that the ETO will implement a system of internal accounting controls to monitor the use of ACH transactions.

BE IT FURTHER RESOLVED that approval of ACH invoices is required before payment.

BE IT FURTHER RESOLVED that additional requirements may be required as determined by the ETO.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk of the Board

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: EQUAL EMPLOYMENT OPPORTUNITY

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The road commission shall recruit, hire, train, and promote in all job categories without regard to race, color, national origin, sex, religion, physical handicap, age, height, weight, marital status, status as a disabled veteran or veteran of the Vietnam era, except where sex, religion, national origin, or age is a bona fide occupational qualification.

Management and supervisory personnel shall insure that all other personnel actions such as compensation, benefits, road commission sponsored training, education tuition assistance, transfers, demotions, terminations, layoffs, return from layoffs, and social recreation programs shall be administered without regard to race, color, national origin, religion, sex, physical handicap, age, height, weight, marital status, or status as a disabled veteran or veteran of the Vietnam era except where sex, religion, national origin, or age is a bona fide occupational qualification.

Management and supervisory employees shall base employment decisions on the principles of equal employment opportunity and with the intent to further the road commission's compliance with Federal and State civil rights laws.

The Board names \_\_\_\_\_ to act as EEO officer for the \_\_\_\_\_ County Road Commission.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: FIXED ASSET DETERMINATION

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

DEFINITIONS:

Capital Assets - Equipment items and furnishings with a purchase price greater than \$\_\_\_\_\_ AND a useful life greater than \_\_\_\_\_ (\_\_\_\_) years and ALL EQUIPMENT ITEMS (regardless of purchase price or useful life) that have a Schedule C code and rate.

Depreciation - The allocation of the cost of a capital asset over its estimated economic life.

Capital Asset Account Group - The Capital Asset Account Group is not a fund because it does not account for available financial resources or governmental obligations. The Capital Asset Account Group may include a variety of general capital assets such as land, land improvements, buildings, equipment, vehicles and infrastructure assets.

POLICY:

It is the policy of the \_\_\_\_\_ County Road Commission to follow generally accepted governmental accounting practices. Governmental GAAP for Michigan County Road Commissions requires that certain types of purchases be capitalized and depreciated, rather than expensed at the time of purchase. It is the purpose of this policy to set the parameters to define when purchases should be expensed and when they should be capitalized and depreciated and to define the necessary record keeping requirements.

All depreciable assets must be entered in the Inventory and Insurance Log or the current computer system Capital Asset Program and the Capital Asset Account Group. Depreciation expense must be calculated manually or through the monthly program in the current computer system for Schedule C assets and recorded in the operating accounts.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: FLEXIBLE BENEFIT PLAN

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The \_\_\_\_\_ County Road Commission, a Michigan governmental unit (Road Commission), hereby established the \_\_\_\_\_ County Flexible Benefits Plan (Plan), as set forth in this document.

The Road Commission is adopting this cafeteria plan to provide a means for cash compensation to eligible employees who choose not to participate in the Road Commission's health care plan. This Plan is intended to meet the requirements of Section 125 of the Code as a cafeteria plan comprised of cash compensations.

The Road Commission may amend this Plan, retroactively or otherwise if necessary or advisable for the purpose of conforming the Plan to the Code or to any other present or future laws, and applicable regulations. The Road Commission also reserves the right to amend this Plan prospectively at any time and from time to time, to change any of the terms, conditions, benefits, or requirements. The Road Commission reserves the right to terminate this Plan at any time.

The Board names \_\_\_\_\_ as administrator of the Plan and notifies all employees of the road commission that a procedure for participation in the Plan has been adopted by the Board of Road Commissioners and may be obtained from the administrator of the Plan.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

**APPENDIX A**

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: FREEDOM OF INFORMATION

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The \_\_\_\_\_ County Road Commission will comply with Public Act No. 442 of 1976 as published and as amended with the \_\_\_\_\_ designated as the FOIA officer and with a charge of \$\_\_\_\_\_ per page for all copies and current postage rates applicable for all mailings of information. All FOIA requests must be received in written/typed format.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk



POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: INVESTMENTS

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

It is the policy of the \_\_\_\_\_ County Road Commission to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the road commission and comply with all state statutes governing the investment of public funds.

This investment policy applies to all financial assets of the road commission. These assets are accounted for in the various funds of the road commission and include the general fund, debt service funds, and any other funds established by the road commission through the county treasurer.

The primary objectives, in priority order, of the road commission's investment activities shall be:

- Safety - safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.
- Diversification - the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- Liquidity - the investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- Return on Investment - the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

The \_\_\_\_\_ is designated as the investment officer of the \_\_\_\_\_ County Road Commission and is responsible for carrying out investment decisions and activities as well as instructing the \_\_\_\_\_ County Treasurer to invest excess road commission funds. The investment of surplus funds shall be as follows:

- In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements consisting of bonds, securities, and other obligations of the United States.
- In bankers' acceptances of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

The investment officer shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The investment officer shall disclose to the public any material financial interests in financial institutions that conduct business within the county and they shall further disclose any large personal financial/investment positions that could be related to the performance of the road commission's portfolio. The investment officer shall subordinate their personal investment transactions to those of the road commission particularly with regard to the timing of purchases and sales.

The investment officer will routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments, and will adjust the portfolio accordingly.

All security transactions shall be held by the \_\_\_\_\_ County Treasurer and evidenced by a safekeeping receipt.

The investment officer shall produce quarterly reports for the Board of Road Commissioners, listing by fund each investment within the fund. The report shall show the amount of investment, the institution, maturity date, and interest rate. A summary of all investments shall be shown at the end of each report, listed by institution and type of investment. A yearly report to the Board shall be provided as required by law.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: MICHIGAN RIGHT TO KNOW

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

This program has been established to meet the requirement of the Hazard Communications Standard of the State of Michigan. The purpose of this program and standard is to ensure that employees are made aware of the hazards of chemicals found in their work environment.

This information is to be transmitted by means of a written hazard communication program, container labeling and other forms of warning, material safety data sheets, and employee education and training programs.

A copy of the Hazard Communication Program, a list of known surveyed hazardous chemicals and the department in which they are used, as well as copies of the Material Safety Data Sheets and a copy of state regulations, are available in the \_\_\_\_\_ Department Office and \_\_\_\_\_ Department Office for review by any interested employee. (Contact your workers' compensation officer for procedures manual establishment guidance).

The Board designates \_\_\_\_\_ to implement this policy and be responsible for its ongoing application.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: PERMIT FEE SCHEDULE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

Pursuant to Act No. 212, Public Acts of 1980 (MCLA 224.196) and the **Public Hearing held on** \_\_\_\_\_, the \_\_\_\_\_ County Road Commission establishes the following fee schedule to recoup costs actually incurred in processing permits. The following schedule is not meant to be all inclusive in recouping all costs, and therefore may be increased to cover the actual costs incurred.

**CONSTRUCTION**

## Permit Category

Blanket Permit (by special approval of Board)	\$_____
Ditching (requires minimum \$_____ bond)	\$_____
General permit to work within or occupy ROW	\$_____
Commercial driveway - first approach	\$_____
Commercial driveway - each additional approach	\$_____
Ditch closure	\$_____
Residential driveway - construct new, repair, replace	\$_____
Residential driveway - pave (under blanket permit)	\$_____
Pole and/or anchor replacement and new pole and anchor (under blanket permit)	\$_____
Underground installations (lineal foot construction) \$_____/ft	MIN \$_____
	MAX \$_____
Road crossings - open cut, paved road (includes utility services)*	\$_____
Road crossings - open cut, gravel road (includes utility services)*	\$_____
Road crossing - bore	\$_____
Utility service - no road cut	\$_____
Gas service (with blanket permit)	\$_____
Electrical (with blanket permit)	\$_____
Telephone (with blanket permit)	\$_____
Survey work - remonumentation - per location (with permit and minimum \$_____ bond)	\$_____

**TRANSPORTATION**

## Permit Category

Yearly card (max. 12 ½' wide, 13 1/2 ' high and 80' long but not overweight)	\$_____
Yearly card for transportation of items greater than 12 ½' wide and 80' long	\$_____
Single move	\$_____
Building move (up to 18')	\$_____
Building move (18' to 22')	\$_____
Building move (over 22')	\$_____
Building move (no route inspection, e.g., small buildings under 14' wide, 13 ½' high and 80' long including hauling unit)	\$_____
Reduced loading restrictions - gravel surfaced (min. \$_____ bond)	\$_____

ABANDONMENT, DISCONTINUANCE AND RELINQUISHMENT OF JURISDICTION OF ROADWAYS

Petition with signatures of all owners of record and abutting occupants \$\_\_\_\_\_

Petition, all other cases \$\_\_\_\_\_

\*Open cuts not part of public utility work will require \$\_\_\_\_\_ cash bond per cut of minimum \$\_\_\_\_\_ performance bond.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: PERSONAL USE OF ROAD COMMISSION VEHICLES

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

It shall be the policy of the Board of County Road Commissioners of \_\_\_\_\_ County to assign or provide marked road commission vehicles to certain employees for purposes associated with the responsibilities and assignments of those certain positions within the road commission.

Some of the vehicles may be authorized for use to and from the employee's residence, but only where such use is considered in the best interest of the road commission by the Board, or by the Managing Director acting on the Board's behalf. Any time the employee is in the vehicle, that employee is considered to be available. Any personal use of the vehicle will be confined to a very minimum and only for brief stops on the way to and from the work station (deminimus use).

Persons who are not employees are not permitted to enter or ride in any vehicle, unless such persons are involved in an activity associated with road commission operations or authorized by the managing director.

Employees must report any accident, theft or damage involving a road commission vehicle to their supervisor, regardless of the damage or lack of injuries. Such reports must be made as soon as possible but not later than twenty-four (24) hours after an incident.

Commuting use will be considered a noncash fringe benefit and will appear on the employee's annual W-2. The value placed upon road commission owned vehicles used for commuting will be determined based upon the Internal Revenue Service guidelines. Currently, \$3.00 per day or \$1.50 per one-way trip will be the value placed upon the use of road commission owned vehicles for commuting.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

## APPENDIX A

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: SAFETY

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The \_\_\_\_\_ County Road Commission adopts the County Road Association Self-Insurance Fund Safety Manual as this county's Safety Policy/Safety Program.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: SMOKE FREE WORKPLACE

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

To protect and enhance indoor air quality and contribute to the health and well-being of all employees, \_\_\_\_\_ County Road Commission shall be entirely smoke free, effective immediately.

Smoking will be strictly prohibited within all company work areas and public spaces including conference rooms, reception areas, restrooms, stairwells, hallways, work stations, garages, or road commission vehicles when more than one individual is riding in, or working out of, such vehicle. This policy applies to all employees, clients, contractors and visitors.

Copies of this policy shall be distributed to all employees. Prominent signs displaying the following statement will be posted at all entrances and throughout the building.

**Smoking is prohibited in this building, pursuant to the**  
**Michigan Clean Indoor Air Act**

Those employees who smoke and would like to take this opportunity to quit smoking are invited to participate in the stop-smoking programs offered by this company.

The success of this policy will depend upon the thoughtfulness, consideration and cooperation of smokers and nonsmokers. All employees share in the responsibility for adhering to and enforcing the policy. Persons observing a violation of this policy should bring it to the attention of their supervisor or the Safety Committee. Supervisors of the Safety Committee, receiving a complaint, will investigate and take action to resolve the issue as soon as possible.

Persons found to have violated this policy will be subject to disciplinary action(s) in the same manner and magnitude as violations of other agency policies.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk



POLICY No. \_\_\_\_\_

BOARD OF COUNTY ROAD COMMISSIONERS OF THE COUNTY OF \_\_\_\_\_

SUBJECT: TRAVEL REIMBURSEMENT

ADOPTED BY THE BOARD OF COUNTY ROAD COMMISSIONERS ON: \_\_\_\_\_

The Board of \_\_\_\_\_ County Road Commissioners adopts the following travel expenditure reimbursement policy, for employee travel expenses only, effective immediately:

1. All lodging expenditures will be reimbursed at actual cost with an appropriate, original receipt accompanying the request for reimbursement.
2. If the employee leaves prior to 7 a.m. and returns after 1 a.m., he/she will be reimbursed a maximum of \$\_\_\_\_\_ for breakfast with no receipt necessary for reimbursement.
3. If the employee leaves prior to 11 a.m. and returns after 3 p.m., he/she will be reimbursed a maximum of \$\_\_\_\_\_ for lunch with no receipt necessary for reimbursement.
4. If the employee leaves prior to 3 p.m. and returns after 7 p.m., he/she will be reimbursed a maximum of \$\_\_\_\_\_ for dinner with no receipt necessary for reimbursement.
5. If the meeting or seminar includes any prepaid or complimentary meals, the employee will not be reimbursed for those meals. If the meeting or seminar includes meals at employee expense, the road commission will reimburse the employee for all expenses incurred upon presentation of an original receipt accompanying the request for reimbursement. (NOTE: Meals are a taxable fringe benefit if they are not included in the meeting cost or do not require an overnight stay).

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Clerk

## MD&A FOR DEPRECIATION METHOD

### Using this Annual Report

The \_\_\_\_\_ County Road Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the road commission's financial activity; (c) identify changes in the road commission's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

### Reporting the Road Commission as a Whole

The statement of net assets and the statement of activities report information about the road commission as a whole and about its activities in a way that helps answer the question of whether the road commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the road commission's net assets and changes in them. The reader can think of the road commission's net assets (the difference between assets and liabilities) as one way to measure the road commission's financial health or financial position. Over time, increases or decreases in the road commission's net assets are one indicator of whether its financial health is improving or deteriorating.

### Reporting the Road Commission's Major Fund

Our analysis of the road commission's major fund begins on page \_\_\_\_\_. The fund financial statements begin on page \_\_\_\_\_ and provide detailed information about the major fund. The road commission currently has only one fund, the general operations fund, in which all of the road commission's activities are accounted. The general operations fund is a governmental fund type.

- Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the road commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the road commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

MD&A FOR DEPRECIATION METHOD (Continued)The Road Commission as a Whole

The road commission's net assets increased approximately \_\_\_\_% from \$\_\_\_\_\_ to \$\_\_\_\_\_ for the year ended \_\_\_\_\_31, 20\_\_\_\_. The net assets and change in net assets are summarized below.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$ \_\_\_\_\_. Restricted net assets, those restricted mainly for Act 51 purposes, decreased \$ \_\_\_\_\_. The primary reason for the decreases was a decline in federal support for road projects. Declining interest rates and gasoline tax revenue also negatively impacted net assets. The investment in capital assets category increased \$\_\_\_\_\_.

It is important for the reader to realize that the increase in net assets is largely a result of the road commission electing to retroactively report infrastructure assets (assets acquired prior to \_\_\_\_\_) in a subsequent year as allowed by GASB 34. If the retroactive infrastructure provisions of GASB 34 had been implemented in the current year, depreciation expense would have been higher, resulting in a smaller increase in net assets or even a decrease.

Net assets as of year ended \_\_\_\_\_ follows:

	<u>Governmental Activities</u>
Current and Other Assets	\$ _____
Capital Assets	\$ _____
 Total Assets	 \$ _____
 Other Liabilities	 \$ _____
 Net Assets	
Invested in Capital Assets	\$ _____
Restricted	\$ _____
Unrestricted	\$ _____
 Total Net Assets	 \$ _____

A summary of changes in net assets for the year ended \_\_\_\_\_ follows:

MD&A FOR DEPRECIATION METHOD (Continued)

	<u>Governmental Activities</u>
Revenues	
Program Revenues	
Charges for Services	\$ _____
Operating Grants and Contributions	\$ _____
Capital Grants and Contributions	\$ _____
Generated Revenues	
Interest Income	\$ _____
Property Rentals	\$ _____
Gain on Disposal of Equipment	\$ _____
Other General Revenues	\$ _____
Total Revenues	\$ _____
Program Expenses	
Primary Roads	
Heavy Maintenance	\$ _____
Maintenance	\$ _____
Local Roads	
Heavy Maintenance	\$ _____
Maintenance	\$ _____
State Trunkline	
Maintenance	\$ _____
Non-Maintenance	\$ _____
Reimbursable Services	\$ _____
Administrative	\$ _____
Total Expenses	\$ _____
Increase in Net Assets	\$ _____

The Road Commission's Fund

The road commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

MD&A FOR DEPRECIATION METHOD (Continued)

For the year ended \_\_\_\_\_, the fund balance of the general operations fund decreased \$\_\_\_\_\_ as compared to a decrease of \$\_\_\_\_\_ in the fund balance for the year ended \_\_\_\_\_ (last year). Total revenues were \$\_\_\_\_\_, a decrease of \$\_\_\_\_\_ as compared to last year. This change in revenues resulted primarily from a decrease in federal surface transportation funds due to fewer federal projects.

Total expenditures were \$\_\_\_\_\_, a decrease of \$\_\_\_\_\_ as compared to last year. This change in expenditures is primarily the decrease in capital outlay in the current year. The road commission incurred an increase to capital outlay last year due to significant renovations and repairs to its building.

Budgetary Highlights

Prior to the beginning of any year, the road commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the road commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorized large expenditures when requested throughout the year.

The revenue budget for 2001 was higher than the actual receipts by \$\_\_\_\_\_. This was due, in large part, to the projection of local road participation by townships. Expenditures for construction on local roads are limited to 50% of the contract costs. The road commission budgets for the receipt of funds from townships for projects on local roads. This year, the revenue from township contributions was lower than projected in the amount of \$\_\_\_\_\_.

Road commission expenditures were projected at \$\_\_\_\_\_ while actual expenditures were \$\_\_\_\_\_. This resulted in total expenditures being under budget by \$\_\_\_\_\_. There were three items that account for most of the variance in the projection of the budget. The largest share of the variance is in the area of local road heavy maintenance. As mentioned earlier, expenditures for construction on local roads by statute is limited to 50% of the contract costs. Therefore, when revenues are not realized, corresponding expenditures are not required. Consequently, the projected budget amount for local road heavy maintenance should have decreased by \$\_\_\_\_\_. Expenditures for primary road heavy maintenance and routine maintenance were over budget by \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively. Our engineering and maintenance departments projected that work in these two areas would be completed; however, weather and other factors combined to limit the amount of work that could be completed prior to year-end.

MD&A FOR DEPRECIATION METHOD (Continued)Capital Asset and Debt AdministrationCapital Assets

As of \_\_\_\_\_ (year end), the road commission had \$\_\_\_\_\_ invested in capital assets as follows:

Capital Assets Not Being Depreciated	
Land and Improvements	\$_____
Other Capital Assets	
Buildings and Improvements	\$_____
Road Equipment	\$_____
Other Equipment	\$_____
Infrastructure and Improvements	\$_____
Total Capital Assets at Historic Cost	\$_____
Total Accumulated Depreciation	\$_____
Total Net Capital Assets	\$_____

Current year's major additions included the following:

Reconstruction of Bridges (by Location)	\$_____
Intersection Improvements/Construction	\$_____
Various Resurfacing Projects	\$_____
Trucks/Equipment	\$_____

Debt

The road commission currently experiences a relatively debt free status. Bonds issued in prior years have been paid off and retired. The road commission currently has long-term debt in the amount of \$\_\_\_\_\_ which represents compensated absences payable.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year 20\_\_ budget. One of the factors is the economy. The road commission derives approximately \_\_\_\_\_% of its revenues from the fuel tax collected. The recent economic downturn has resulted in less consumption of fuel and consequently less Michigan Transportation Funds tax to be distributed. Investment income on the cash in our fund balance will decline by approximately \_\_\_\_% or approximately \$\_\_\_\_\_.

**MD&A FOR DEPRECIATION METHOD** (Continued)

The board realizes and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in \_\_\_\_\_ County's transportation system; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the motoring public and the citizens of \_\_\_\_\_ County.

**Contacting the Road Commission's Financial Management**

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the road commission's finances and to show the road commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the \_\_\_\_\_ County Road Commission administrative offices at \_\_\_\_\_.

## **APPENDIX C**

[Link to Michigan Sales and Use Tax Certificate of Exemption](#)

## **APPENDIX D**

[Link to Municipal Finance Qualifying Statement](#)